

**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
/d	Per day.
2014 Plan	ENLC's 2014 Long-Term Incentive Plan.
Adjusted gross margin	Revenue less cost of sales, exclusive of operating expenses and depreciation and amortization. Adjusted gross margin is a non-GAAP financial measure. See "Item 1. Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for additional information.
AR Facility	An accounts receivable securitization facility of up to \$350 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 September 24, 2024, unless extended or earlier terminated in accordance with its terms.
ASC	The Financial Accounting Standards Board ("FASB") Accounting Standards Codification.
ASC 606	ASC 606, <i>Revenue from Contracts with Customers</i> .
ASC 718	ASC 718, <i>Compensation—Stock Compensation</i> .
ASC 815	ASC 815, <i>Derivatives and Hedging</i> .
ASC 820	ASC 820, <i>Fair Value Measurements</i> .
ASC 842	ASC 842, <i>Leases</i> .
Ascension JV	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.
Bbls	Barrels.
Bcf	Billion cubic feet.
Beginning TSR Price	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.
CCS	Carbon capture, transportation, and sequestration.
Cedar Cove JV	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.
CNOW	Central Northern Oklahoma Woodford Shale.
CO <sub>2</sub>	Carbon dioxide.
Commission	U.S. Securities and Exchange Commission.
Consolidated Credit Facility	A \$1.75 billion unsecured revolving credit facility entered into by ENLC that matures on January 25, 2024, which includes a \$500.0 million letter of credit subfacility. The Consolidated Credit Facility was available upon closing of the Merger and is guaranteed by us.
Delaware Basin	A large sedimentary basin in West Texas and New Mexico.
Delaware Basin JV	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.
Devon	Devon Energy Corporation.
EMO	EnLink Midstream Operating, LP
EMO Preferred B Units	EnLink Midstream Operating, LP Series B Preferred Units. Subsequent to the sale of EORV to ENLC in December 2020, the EMO Preferred B Units were held by ENLC. In December 2021, ENLC redeemed the EMO Preferred B Units.
ENLC	EnLink Midstream, LLC.
ENLC Class C Common Units	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.
ENLK	EnLink Midstream Partners, LP or, when applicable, EnLink Midstream Partners, LP together with its consolidated subsidiaries. Also referred to as the "Partnership."
EORV	EnLink ORV Holdings, LLC.
EOGP	EnLink Oklahoma Gas Processing, LP or EnLink Oklahoma Gas Processing, LP together with, when applicable, its consolidated subsidiaries. Since January 31, 2019, EOGP has been a wholly-owned subsidiary of the Operating Partnership.
GAAP	Generally accepted accounting principles in the United States of America.
Gals	Gallons.

<i>GCF</i>	Gulf Coast Fractionators, which owns an NGL fractionator in Mont Belvieu, Texas. ENLK owns 38.75% of GCF. Beginning in January 2021, 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>GIP Transaction</i>	On July 18, 2018, subsidiaries of Devon closed a transaction to sell all of their equity interests in ENLK, ENLC, and the managing member of ENLC to GIP.
<i>GP Plan</i>	EnLink Midstream GP, LLC's Long-Term Incentive Plan. As of the closing of the Merger, ENLC assumed all obligations in respect of the GP Plan. No additional grants of equity awards will be made under the GP Plan for periods after the Merger.
<i>ISDAs</i>	International Swaps and Derivatives Association Agreements.
<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>OPEC+</i>	Organization of the Petroleum Exporting Countries and its broader partners.
<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>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>STACK</i>	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties in Oklahoma.
<i>Term Loan</i>	A term loan originally in the amount of \$850.0 million entered into by ENLK on December 11, 2018 with Bank of America, N.A., as Administrative Agent, Bank of Montreal and Royal Bank of Canada, as Co-Syndication Agents, Citibank, N.A. and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the lenders party thereto, which ENLC assumed in connection with the Merger and the obligations of which ENLK guaranteed. The Term Loan was paid at maturity on December 10, 2021.
<i>VEX</i>	The Victoria Express Pipeline and related truck terminal and storage assets located in the Eagle Ford Shale in South Texas, which we sold in October 2020.
<i>White Star</i>	White Star Petroleum, LLC.

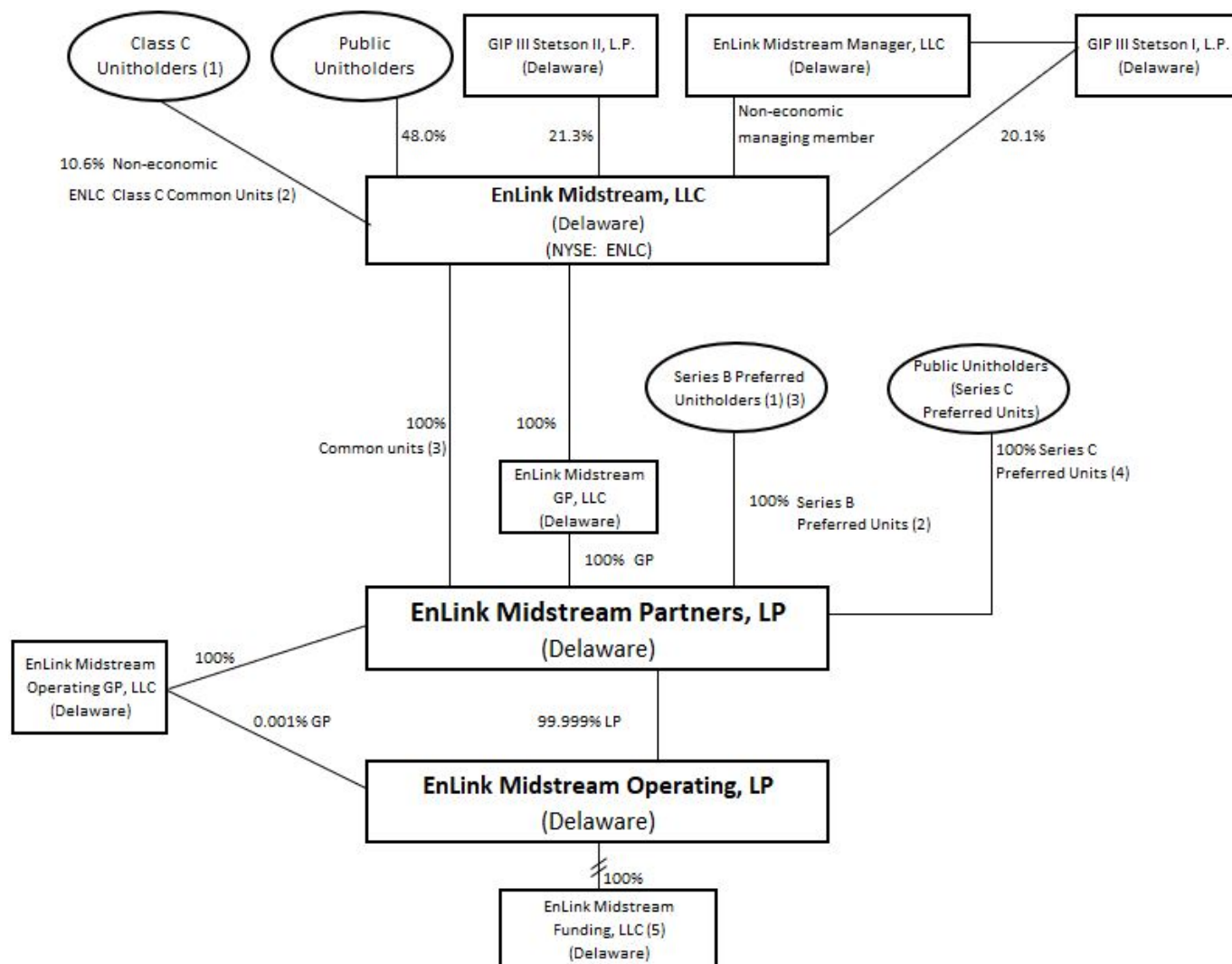
## **Item 1. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*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 Item 1. Management’s Discussion and Analysis of Financial Condition and Results of Operations. Certain items related to the year ended December 31, 2020 and 2019 and year-to-year comparisons of the year ended December 31, 2020 and the year ended December 31, 2019 have been recast to conform to current period presentation, and therefore are shown below. Items that remain unchanged from the discussion in our prior year’s Annual Report can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 1 of ENLK’s Annual Report for the year ended December 31, 2020, published on our website on February 17, 2021 and can be found [here](#).*

*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. The following diagram depicts our organization and ownership as of December 31, 2021:



- (1) On August 4, 2021, all of the outstanding Series B Preferred Units and ENLC Class C Common Units were purchased by Brookfield Infrastructure Partners L.P. and funds managed by Oaktree Capital Management, L.P.
- (2) Series B Preferred Units are exchangeable into ENLC common units on a 1-for-1.15 basis, subject to certain adjustments. Upon the exchange of any Series B Preferred Units into ENLC common units, an equal number of the ENLC Class C Common Units will be canceled.
- (3) All ENLK common units are held by ENLC. The Series B Preferred Units are entitled to vote, on a one-for-one basis (subject to certain adjustments) as a single class with ENLC, on all matters that require approval of the ENLK unitholders.
- (4) Series C Preferred Units are perpetual preferred units that are not convertible into other equity interests, and therefore, are not factored into the ENLK ownership calculations for the limited partner and general partner ownership percentages presented.
- (5) EnLink Midstream Funding, LLC is a bankruptcy-remote special purpose entity that entered into the AR Facility in October 2020. See “Item 2. Financial Statements and Supplementary Data—Note 6” for more information regarding the AR Facility.

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.

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.

Starting in the first quarter of 2021, we began evaluating 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. Commodity swaps activity was previously reported in the Corporate segment. We have recast segment information for all presented periods prior to the first quarter of 2021 to conform to current period presentation. 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, our ownership interest in GCF in South Texas, and our general 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 89% of our adjusted gross margin was derived from fee-based contractual arrangements with minimal direct commodity price exposure for the year ended December 31, 2021.

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 during 2021, 2020, or 2019. These customers represented a significant percentage of our consolidated revenues, and 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.

	Year Ended December 31,		
	2021	2020	2019
Devon	6.7 %	14.4 %	10.5 %
Dow Hydrocarbons and Resources LLC	14.5 %	13.2 %	10.0 %
Marathon Petroleum Corporation	13.4 %	12.2 %	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.

We are currently developing an integrated offering to bring CCS services to businesses along the Mississippi River corridor in Louisiana, one of the highest CO<sub>2</sub> 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. Although commodity markets have recovered from the reduction in global demand and low market prices experienced in 2020 due to the COVID-19 pandemic, oil and natural gas prices continue to remain volatile. Natural gas prices, in particular, have risen quickly during 2021, and at the date of this report, the market price is at a level higher than it has traded in many 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 somewhat negatively impacted. This demand by investors for increased capital discipline from energy companies, as well as the difficulties in accessing capital markets, has 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. Although volumes have now recovered to pre-pandemic levels, global capital investments by oil and natural gas producers remain at relatively low levels compared to historical levels and producers remain cautious, even as crude oil and natural gas prices increased during 2021.

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. 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. In contrast, we continue to experience an increase in volumes in our Permian segment as our operations in that basin are in a favorable position relative to producer activity.

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, supported by regional industrial activity and export markets. Our activities and, in turn, our financial performance in the Louisiana segment are 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.



For additional discussion regarding these factors, see “Item 1A—Risk Factors—Business and Industry Risks” in ENLC’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Commission on February 16, 2022.

### *Extreme Weather Events*

From time to time our operations may be affected by extreme weather events. In February 2021, certain 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”). Winter Storm Uri adversely affected the Company’s facilities and activities across the Company’s footprint, as it did for producers and other midstream companies located in these areas. The severe cold temperatures caused production freeze-offs and also led some producers to proactively shut-in their wells to preserve well integrity. As a result, the Company’s gathering and processing volumes were significantly reduced during this period, with peak volume declines ranging between 44% and 92%, depending on the region. The Company responded to the challenges presented by the storm by taking active steps to ensure the resiliency of the Company’s assets and the protection of the health and well-being of its employees. The Company’s operations and its gathering and processing volumes returned to normal levels by the end of the first quarter of 2021.

Because of the magnitude and unprecedented nature of Winter Storm Uri, we cannot predict the full impact that the storm may have on our future results of operations. The ultimate impacts will depend on future developments, including, among other factors, the outcome of pending billing disputes or litigation with customers and regulatory actions by state legislatures and other entities responsible for the regulation and pricing of electricity and the electrical grid.

During the third quarter of 2021, we experienced a temporary loss of some processing volumes in our Louisiana operations due to the effects of Hurricane Ida, which forced a temporary shut-down of some of our operations and those of our downstream customers. All of our affected operations and those of our downstream customers have now returned to normal levels.

### *COVID-19 Update*

On March 11, 2020, the World Health Organization declared the ongoing coronavirus (COVID-19) outbreak a pandemic and recommended containment and mitigation measures worldwide.

Since the outbreak began, our first priority has been the health and safety of our employees and those of our customers and other business counterparties. Beginning in March 2020, we implemented preventative measures and developed a response plan to minimize unnecessary risk of exposure and prevent infection, while supporting our customers’ operations, and we continue to follow these plans. We also continue to promote heightened awareness and vigilance, hygiene, and implementation of more stringent cleaning protocols across our facilities and operations and we continue to evaluate and adjust our preventative measures, response plans and business practices with the evolving impacts of COVID-19 and its variants. Since the inception of the pandemic, we have not experienced any significant COVID-19 related operational disruptions.

There remains considerable uncertainty regarding how long the COVID-19 pandemic (including variants of the virus) will persist and affect economic conditions and the extent and duration of changes in consumer behavior.

We cannot predict the full impact that the COVID-19 pandemic or the related volatility in oil and natural gas markets will have on our business, liquidity, financial condition, results of operations, and cash flows (including our ability to make distributions to unitholders) at this time due to numerous uncertainties. The ultimate impacts will depend on future developments, including, among others, the ultimate duration and persistence of the pandemic, the impact of the Delta and Omicron variants of the virus, the speed at which the population is vaccinated against the virus and the efficacy of the vaccines, the emergence of any new variants of the virus against which vaccines are less effective, the effect of the pandemic on economic, social, and other aspects of everyday life, the consequences of governmental and other measures designed to prevent the spread of the virus, actions taken by members of OPEC+ and other foreign, oil-exporting countries, actions taken by governmental authorities, customers, suppliers, and other third parties, and the timing and extent to which normal economic, social, and operating conditions fully resume. Although crude oil and natural gas prices and production activities have recovered to pre-pandemic levels, producers remain cautious and a decline in commodity prices could affect producers’ exploration and production activities. A sustained significant decline in oil and natural gas exploration and production activities and related reduced demand for our services by our customers, whether due to decreases in consumer demand or reduction in the prices for crude oil, condensate, natural gas, and NGLs or otherwise, would have a material adverse effect on our business, liquidity, financial condition, results of operations, and cash flows (including our ability to make distributions to our unitholders).

For additional discussion regarding risks associated with the COVID-19 pandemic, see “Item 1A—Risk Factors—The ongoing coronavirus (COVID-19) pandemic has adversely affected and could continue to adversely affect our business, financial condition, and results of operations” in ENLC’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Commission on February 16, 2022.

### *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. On his first day in office, President Biden signed an instrument reentering the United States into the Paris Agreement, effective February 19, 2021, and issued an executive order on “Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis” seeking to adopt new regulations and policies to address climate change and suspend, revise, or rescind prior agency actions that are identified as conflicting with the Biden Administration’s climate policies. In addition, on January 27, 2021, President Biden issued an executive order indefinitely suspending new oil and natural gas leases on public lands or in offshore waters pending completion of an ongoing comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. On June 15, 2021, however, a judge in the U.S. District Court for the Western District of Louisiana issued a nationwide temporary injunction blocking the suspension. The Department of the Interior appealed the U.S. District Court’s ruling but resumed oil and gas leasing pending resolution of the appeal. In November 2021, the Department of the Interior completed its review and issued a report on the federal oil and gas leasing program. The Department of the Interior’s report recommends several changes to federal leasing practices, including changes to royalty payments, bidding, and bonding requirements. Furthermore, on April 22, 2021, at a global summit on climate change, President Biden committed the United States to target emissions reductions of 50-52% of 2005 levels by 2030. Lastly, on June 30, 2021, President Biden signed into law a reinstatement of regulations put in place during the Obama administration regarding methane emissions. The Company had previously complied with these regulations during the Obama administration and does not expect the reinstatement to have a material effect on the Company or its operations. The Biden Administration could also seek, in the future, to put into place additional 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 status of recent and 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.

For more information, see the risk factors under “Environmental, Legal Compliance and Regulatory Risk” in Section 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.

### **Other Recent Developments**

*CCS—Talós Alliance.* In February 2022, we signed a memorandum of understanding with Talos Energy Inc. (“Talos”) to provide a complete CCS offering for industrial-scale emitters in Louisiana, utilizing our midstream assets combined with Talos’ subsurface assets. Talos has secured approximately 26,000 acres in Louisiana, providing sequestration capacity of over 500 million metric tonnes.

*Bridgeport CO<sub>2</sub> Project.* In November 2021, we entered into an agreement with Continental Carbonic Products, Inc., a wholly owned subsidiary of Matheson Tri-Gas, Inc., and member of the Nippon Sanso Holdings Corporation group of companies, to capture and sell CO<sub>2</sub> emitted from our Bridgeport processing plant in North Texas. The CO<sub>2</sub> will be sold on a firm basis for 15 years and will be converted into food-grade products. This project is expected to be in service in early 2024. The project makes meaningful progress toward our goal of a 30% reduction in total CO<sub>2</sub>-equivalent emissions intensity by 2030, while being modestly profitable.

*Amarillo Rattler Acquisition.* 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. In connection with the purchase, we entered into an amended and restated gas gathering and processing agreement with Diamondback Energy, strengthening our dedicated acreage position with that entity. We acquired the system with an upfront payment of \$50.0 million, which was paid with cash-on-hand, with an

additional \$10.0 million to be paid on April 30, 2022, and contingent consideration capped at \$15.0 million and payable between 2024 and 2026 based on Diamondback Energy's drilling activity above historical levels.

### *Organic Growth*

*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 second half of 2022.

*War Horse Processing Plant.* In December 2020, we began moving equipment and facilities previously associated with the Battle Ridge processing plant in Central Oklahoma to the Permian Basin. The move has been completed and the War Horse processing plant began operations in August 2021. In November 2021, we completed an expansion to the War Horse processing plant, which increased the processing capacity to 95 MMcf/d.

*Riptide Processing Plant.* The Riptide processing plant is a gas processing plant located in the Midland Basin. In March 2020, we completed an expansion to the Riptide processing plant, which increased the processing capacity to 240 MMcf/d.

*Tiger processing plant.* The Tiger processing plant is a gas processing plant located in the Delaware Basin. This processing plant is owned by the Delaware Basin JV. In August 2020, we completed the construction of the Tiger processing plant, which expanded our Delaware Basin processing capacity by an additional 240 MMcf/d, to handle expected future processing volume growth.

### *Long-Term Debt Issuances, Repurchases, and Repayments*

*Term Loan.* In December 2020, May 2021, and September 2021, in connection with ENLC's repayment of the Term Loan, we repaid ENLC \$500.0 million, \$100.0 million, and \$100.0 million, respectively, of the borrowings under the related party debt. The Term Loan matured on December 10, 2021, and ENLC repaid the remaining \$150.0 million balance in full. As of December 31, 2021, ENLC has fully repaid the Term Loan and we have fully repaid our associated related party debt to ENLC.

*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 to borrow up to \$250.0 million. In connection with the AR Facility, certain subsidiaries of ENLC sold and contributed, and will continue to sell or contribute, their accounts receivable to the SPV to be held as collateral for borrowings under the AR Facility. The SPV's assets are not available to satisfy the obligations of ENLC or any of its affiliates.

On February 26, 2021, the SPV entered into the first amendment to the AR Facility that, among other things: (i) increased the AR Facility limit and lender commitments by \$50.0 million to \$300.0 million, (ii) reduced the Adjusted LIBOR and LMIR (each as defined in the AR Facility) minimum floor to zero, rather than the previous 0.375%, and (iii) reduced the effective drawn fee to 1.25% rather than the previous 1.625%.

On September 24, 2021, the SPV entered into the second amendment to the AR Facility that, among other things: (i) increased the AR Facility limit and lender commitments by \$50.0 million to \$350.0 million, (ii) extended the scheduled termination date of the facility from October 20, 2023 to September 24, 2024, and (iii) reduced the effective drawn fee to 1.10% rather than the previous 1.25%.

*Senior Unsecured Notes.* On December 14, 2020, ENLC issued \$500.0 million in aggregate principal amount of ENLC's 5.625% senior unsecured notes due January 15, 2028 (the "2028 Notes") at a price to the public of 100% of their face value. Interest payments on the 2028 Notes are payable on January 15 and July 15 of each year. The 2028 Notes are fully and unconditionally guaranteed by us. Net proceeds of approximately \$494.7 million were used to repay a portion of the borrowings under the Term Loan, which matured in December 2021.

For the year ended December 31, 2020, we and ENLC made aggregate payments to partially repurchase the 2024, 2025, 2026, and 2029 Notes in open market transactions. For the year ended December 31, 2021, we and ENLC did not repurchase any senior notes. Activity related to the 2020 partial repurchases of our outstanding debt consisted of the following (in millions):

	Year Ended December 31, 2020
Debt repurchased	\$ 67.7
Aggregate payments	(36.0)
Net discount on repurchased debt	(0.3)
Accrued interest on repurchased debt	0.6
Gain on extinguishment of debt	<u>\$ 32.0</u>

See “Item 2. Financial Statements and Supplementary Data—Note 6” for more information regarding the related party debt, the AR Facility, and the senior unsecured notes.

#### *Redemption of Series B Preferred Units*

In December 2021, we redeemed 3,300,330 Series B Preferred Units for total consideration of \$50.0 million plus accrued distributions. In addition, upon such redemption, a corresponding number of ENLC Class C Common Units were automatically cancelled. In January 2022, we redeemed an additional 3,333,334 Series B Preferred Units for total consideration of \$50.5 million plus accrued distributions and, upon such redemption, a corresponding number of ENLC Class C Common Units were automatically cancelled. The redemption price for both the December 2021 and January 2022 redemptions was 101% of the preferred units’ par value. In connection with these Series B Preferred Unit redemptions, 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 2. Financial Statements and Supplementary Data—Note 7” for more information regarding distributions with respect to the Series B Preferred Units.

#### *Transfer and Redemption of EMO Preferred B Units*

EORV, a wholly-owned subsidiary of ENLK, was a corporation that purchased Ohio River Valley assets associated with the acquisition of Clearfield Energy, Inc. and its wholly-owned subsidiaries in 2012. These assets were transferred to EMO in exchange for 198,871 EMO Preferred B Units at \$1,000 each. In December 2020, we sold our ownership of EORV to ENLC. In December 2021, ENLC redeemed the EMO Preferred B Units. See “Item 2. Financial Statements and Supplementary Data—Note 4” for additional information regarding the sale of our ownership of EORV to ENLC and ENLC’s redemption of EMO Preferred B 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):

	Year Ended December 31,	
	2021	2020
Total revenues	\$ 6,685.9	\$ 3,893.8
Cost of sales, exclusive of operating expenses and depreciation and amortization	(5,189.9)	(2,388.5)
Operating expenses	(362.9)	(373.8)
Depreciation and amortization	(607.5)	(638.6)
Gross margin	525.6	492.9
Operating expenses	362.9	373.8
Depreciation and amortization	607.5	638.6
Adjusted gross margin	<u>\$ 1,496.0</u>	<u>\$ 1,505.3</u>

## 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
<b>Year Ended December 31, 2021</b>						
Gross margin	\$ 89.8	\$ 183.9	\$ 123.3	\$ 136.6	\$ (8.0)	\$ 525.6
Depreciation and amortization	139.9	141.0	204.3	114.3	8.0	607.5
Segment profit	229.7	324.9	327.6	250.9	—	1,133.1
Operating expenses	81.5	123.7	80.0	77.7	—	362.9
Adjusted gross margin	<u>\$ 311.2</u>	<u>\$ 448.6</u>	<u>\$ 407.6</u>	<u>\$ 328.6</u>	<u>\$ —</u>	<u>\$ 1,496.0</u>

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
<b>Year Ended December 31, 2020</b>						
Gross margin	\$ 44.9	\$ 139.8	\$ 188.5	\$ 127.0	\$ (7.3)	\$ 492.9
Depreciation and amortization	125.2	145.8	216.9	143.4	7.3	638.6
Segment profit	170.1	285.6	405.4	270.4	—	1,131.5
Operating expenses	94.2	120.0	82.2	77.4	—	373.8
Adjusted gross margin	<u>\$ 264.3</u>	<u>\$ 405.6</u>	<u>\$ 487.6</u>	<u>\$ 347.8</u>	<u>\$ —</u>	<u>\$ 1,505.3</u>

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
<b>Year Ended December 31, 2019</b>						
Gross margin	\$ 36.6	\$ 143.1	\$ 255.2	\$ 149.8	\$ (8.4)	\$ 576.3
Depreciation and amortization	119.8	154.1	194.9	139.8	8.4	617.0
Segment profit	156.4	297.2	450.1	289.6	—	1,193.3
Operating expenses	112.9	147.3	104.0	102.9	—	467.1
Adjusted gross margin	<u>\$ 269.3</u>	<u>\$ 444.5</u>	<u>\$ 554.1</u>	<u>\$ 392.5</u>	<u>\$ —</u>	<u>\$ 1,660.4</u>

	Year Ended December 31,		
	2021	2020	2019
<b>Midstream Volumes:</b>			
<b>Permian Segment</b>			
Gathering and Transportation (MMbtu/d)	1,067,000	890,800	723,400
Processing (MMbtu/d)	1,010,000	899,000	771,400
Crude Oil Handling (Bbls/d)	134,600	116,200	132,000
<b>Louisiana Segment</b>			
Gathering and Transportation (MMbtu/d)	2,160,800	1,993,900	2,050,000
Crude Oil Handling (Bbls/d)	15,900	16,900	18,900
NGL Fractionation (Gals/d)	7,455,600	7,597,800	7,341,700
Brine Disposal (Bbls/d)	2,700	1,300	2,700
<b>Oklahoma Segment</b>			
Gathering and Transportation (MMbtu/d)	992,400	1,116,500	1,302,200
Processing (MMbtu/d)	1,010,300	1,105,900	1,276,700
Crude Oil Handling (Bbls/d)	20,200	28,700	47,300
<b>North Texas Segment</b>			
Gathering and Transportation (MMbtu/d)	1,377,400	1,478,200	1,651,900
Processing (MMbtu/d)	631,500	671,000	750,500

## ***Year Ended December 31, 2021 Compared to Year Ended December 31, 2020***

**Gross Margin.** Gross margin was \$525.6 million for the year ended December 31, 2021 compared to \$492.9 million for the year ended December 31, 2020, an increase of \$32.7 million. The primary contributors to the total increase were as follows:

- **Permian Segment.** Gross margin was \$89.8 million for the year ended December 31, 2021 compared to \$44.9 million for the year ended December 31, 2020, an increase of \$44.9 million primarily due to the following:
  - Adjusted gross margin in the Permian segment increased \$46.9 million, which was primarily driven by:
    - A \$44.1 million increase to adjusted gross margin associated with our Permian gas assets. Adjusted gross margin, excluding derivative activity, increased \$127.9 million, which was primarily due to higher volumes and significantly favorable commodity prices on gas sales during Winter Storm Uri. Derivative activity associated with our Permian gas assets decreased margin by \$83.8 million, which included \$81.5 million from increased realized losses, primarily due to Winter Storm Uri, and \$2.3 million from increased unrealized losses.
    - A \$2.8 million increase to adjusted gross margin associated with our Permian crude assets. Adjusted gross margin, excluding derivative activity, increased \$2.3 million, which was primarily due to higher volumes from existing customers and was partially offset by weather disruptions from Winter Storm Uri and storage fees earned in April of 2020, but not in 2021. Derivative activity associated with our Permian crude assets increased margin by \$0.5 million, which included \$7.0 million from increased realized gains and was partially offset by \$6.5 million from increased unrealized losses.
  - Operating expenses in the Permian segment decreased \$12.7 million primarily due to lower utility costs as a result of approximately \$46.5 million of utility credits that we received because our electricity usage was below our contractual base load amounts during Winter Storm Uri, which entitled us to credits based on market rates for our unused electricity. These credits can and have been used to offset future utility payments. Operating expenses also decreased due to lower labor and benefits expense as a result of reductions in workforce in April 2020. These decreases were partially offset by \$24.9 million of increases in construction fees and services related to the relocation of the War Horse and Phantom processing plants, increases in materials and supplies expense and compressor rentals due to higher volumes, and increases in sales and use taxes as a result of tax refunds in the first half of 2020.
  - Depreciation and amortization in the Permian segment increased \$14.7 million primarily due to new assets placed into service, including the Tiger processing plant in August 2020 and acquisition of the Amarillo Rattler, LLC gathering and processing system in April 2021.
- **Louisiana Segment.** Gross margin was \$183.9 million for the year ended December 31, 2021 compared to \$139.8 million for the year ended December 31, 2020, an increase of \$44.1 million primarily due to the following:
  - Adjusted gross margin in the Louisiana segment increased \$43.0 million, resulting from:
    - A \$39.3 million increase to adjusted gross margin associated with our Louisiana NGL transmission and fractionation assets. Adjusted gross margin, excluding derivative activity, increased \$56.4 million, which was primarily due to favorable market prices on NGL sales. Derivative activity associated with our Louisiana NGL transmission and fractionation assets decreased margin by \$17.1 million, which included \$27.1 million from increased realized losses partially offset by \$10.0 million from decreased unrealized losses.
    - A \$5.8 million increase to adjusted gross margin associated with our Louisiana gas assets. Adjusted gross margin, excluding derivative activity, increased \$21.3 million, which was primarily due to increased gathering and transportation fees as a result of higher volumes transported in addition to increased storage and hub fees following the acquisition of the Jefferson Island storage facility in December 2020. Derivative activity associated with our Louisiana gas assets decreased margin by \$15.5 million, which included \$11.6 million from increased realized losses and \$3.9 million from increased unrealized losses.
    - A \$2.1 million decrease to adjusted gross margin associated with our ORV crude assets. Adjusted gross margin, excluding derivative activity, decreased \$5.6 million, which was primarily due to lower volumes. Derivative activity associated with our ORV crude assets increased margin by \$3.5 million due to \$2.4 million from decreased realized losses and \$1.1 million from increased unrealized gains.

- Operating expenses in the Louisiana segment increased \$3.7 million primarily due to increased materials and supplies expense and utilities. This increase was partially offset by lower labor and benefits expense as a result of reductions in workforce in April 2020 and ad valorem taxes.
- Depreciation and amortization in the Louisiana segment decreased \$4.8 million primarily due to the impairment of assets in the first quarter of 2020.
- *Oklahoma Segment.* Gross margin was \$123.3 million for the year ended December 31, 2021 compared to \$188.5 million for the year ended December 31, 2020, a decrease of \$65.2 million primarily due to the following:
  - Adjusted gross margin in the Oklahoma segment decreased \$80.0 million, resulting from:
    - A \$79.0 million decrease to adjusted gross margin associated with our Oklahoma gas assets. Adjusted gross margin, excluding derivative activity, decreased \$61.7 million, which was primarily due to lower volumes from our existing customers, including weather disruptions from Winter Storm Uri, and a \$56.2 million decrease in adjusted gross margin resulting from the expiration of the MVC provision of a gathering and processing contract at the end of 2020. Derivative activity associated with our Oklahoma gas assets decreased margin by \$17.3 million, which included \$19.3 million from increased realized losses and was partially offset by \$2.0 million from decreased unrealized losses.
    - A \$1.0 million decrease to adjusted gross margin associated with our Oklahoma crude assets. Adjusted gross margin, excluding derivative activity, decreased \$4.6 million, which was primarily due to lower volumes from our existing customers and partially as a result of weather disruptions from Winter Storm Uri. Derivative activity associated with our Oklahoma crude assets increased margin by \$3.6 million, which included \$1.1 million from increased realized gains and \$2.5 million from increased unrealized gains.
  - Operating expenses in the Oklahoma segment decreased \$2.2 million primarily due to reductions in compressor rentals and lower labor and benefits expense as a result of reductions in workforce in April 2020. These decreases were partially offset by higher costs in 2021 to decommission equipment from the Battle Ridge processing plant to move to the War Horse processing plant.
  - Depreciation and amortization in the Oklahoma segment decreased \$12.6 million primarily due to the relocation of the Battle Ridge processing plant to the War Horse processing plant.
- *North Texas Segment.* Gross margin was \$136.6 million for the year ended December 31, 2021 compared to \$127.0 million for the year ended December 31, 2020, an increase of \$9.6 million primarily due to the following:
  - Adjusted gross margin in the North Texas segment decreased \$19.2 million. Adjusted gross margin, excluding derivative activity, decreased \$8.2 million, which was primarily due to lower volumes from our existing customers. Derivative activity associated with our North Texas segment decreased margin by \$11.0 million, which included \$6.2 million from increased realized losses and \$4.8 million from increased unrealized losses.
  - Operating expenses in the North Texas segment increased \$0.3 million primarily due to reductions in compressor rentals, reductions to labor and benefits expense as a result of reductions in workforce in April 2020 and reductions to utility costs. These decreases were partially offset by increases in materials and supplies expense, operation and maintenance costs, and increases in sales and use taxes as a result of tax refunds in the first half of 2020.
  - Depreciation and amortization in the North Texas segment decreased \$29.1 million primarily due to a change in the estimated useful lives of certain non-core assets that were fully depreciated at the end of 2020.
- *Corporate Segment.* Gross margin was negative \$8.0 million for the year ended December 31, 2021 compared to negative \$7.3 million for the year ended December 31, 2020, a decrease of \$0.7 million. Corporate gross margin consists of depreciation and amortization of corporate assets.



*Impairments.* Impairment expense is composed of the following amounts (in millions):

	Year Ended December 31,	
	2021	2020
Property and equipment impairment	\$ 0.6	\$ 168.0
Lease right-of-use asset impairment	0.2	6.8
Cancelled projects	—	3.4
Total impairments	<u>\$ 0.8</u>	<u>\$ 178.2</u>

*Gain (loss) on disposition of assets.* For the year ended December 31, 2021, we recorded an \$1.5 million gain on disposition of assets primarily related to the sale of various non-core assets. For the year ended December 31, 2020, we recorded a \$8.8 million loss on disposition of assets primarily related to the sale of our non-core crude pipeline assets in South Texas.

*General and administrative expenses.* General and administrative expenses were \$107.5 million for the year ended December 31, 2021 compared to \$103.4 million for the year ended December 31, 2020, an increase of \$4.1 million. The increase was primarily due to labor and benefits costs, which increased \$3.4 million; transaction and transition costs, which increased \$1.0 million primarily due to the Amarillo Rattler, LLC acquisition in April 2021; and consulting fees and services, which increased \$1.8 million. These increases were partially offset by a \$2.6 million decrease to unit-based compensation costs.

*Interest Expense.* Interest expense was \$225.6 million for the year ended December 31, 2021 compared to \$223.3 million for the year ended December 31, 2020, an increase of \$2.3 million, or 1.0%. Net interest expense consisted of the following (in millions):

	Year Ended December 31,	
	2021	2020
Senior notes	\$ 146.2	\$ 148.1
Related party debt	64.9	58.3
Related party interest income	(13.1)	—
AR Facility	4.1	0.9
Capitalized interest	(0.3)	(3.4)
Amortization of debt issuance costs and net discount of senior unsecured notes	5.2	4.6
Interest rate swaps - realized	18.3	14.5
Other	0.3	0.3
Total interest expense, net of interest income	<u>\$ 225.6</u>	<u>\$ 223.3</u>

*Gain on Extinguishment of Debt.* We recognized a gain on extinguishment of debt of \$32.0 million for the year ended December 31, 2020 due to repurchases of the 2024, 2025, 2026, and 2029 Notes in open market transactions. For the year ended December 31, 2021, we and ENLC did not repurchase any senior notes. See “Item 2. Financial Statements and Supplementary Data—Note 6” for additional information.

*Income (Loss) from Unconsolidated Affiliate Investments.* Loss from unconsolidated affiliate investments was \$11.5 million for the year ended December 31, 2021 compared to income of \$0.6 million for the year ended December 31, 2020, a decrease in income of \$12.1 million. The decrease was attributable to a reduction of income of \$12.1 million from our GCF investment, as a result of the GCF assets being temporarily idled beginning in January 2021. See “Item 2. Financial Statements and Supplementary Data—Note 8” for additional information.

*Net Income (Loss) Attributable to Non-Controlling Interest.* Net income attributable to non-controlling interest was \$40.4 million for the year ended December 31, 2021 compared to net income of \$13.0 million for the year ended December 31, 2020, an increase of \$27.4 million. ENLK’s non-controlling interest is comprised of NGP’s 49.9% share of the Delaware Basin JV, Marathon Petroleum Corporation’s 50% share of the Ascension JV, and other minor non-controlling interests. 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 EMO Preferred B Units in December 2021. See “Item 2. Financial Statements and Supplementary Data—Note 4” for additional information regarding the sale of our ownership of EORV to ENLC and ENLC’s redemption of EMO Preferred B Units. The increase in income was primarily due to a \$16.9 million increase from ENLC’s ownership of

EORV, a \$7.1 million increase attributable to NGP's 49.9% share of the Delaware Basin JV, and a \$3.4 million increase attributable to Marathon Petroleum Corporation's 50% share of the Ascension JV.

***Year Ended December 31, 2020 Compared to Year Ended December 31, 2019***

**Gross Margin.** Gross margin was \$492.9 million for the year ended December 31, 2020 compared to \$576.3 million for the year ended December 31, 2019, a decrease of \$83.4 million. The primary contributors to the decrease were as follows:

- **Permian Segment.** Gross margin was \$44.9 million for the year ended December 31, 2020 compared to \$36.6 million for the year ended December 31, 2019, an increase of \$8.3 million primarily due to the following:
  - Adjusted gross margin in the Permian segment decreased \$5.0 million, which was primarily driven by:
    - A \$17.2 million decrease to adjusted gross margin associated with our Permian crude assets. Adjusted gross margin, excluding derivative activity, decreased \$9.8 million, which was primarily due to a \$15.8 million decrease on our South Texas assets primarily due to the expiration of an MVC provision in one of our contracts in July 2019 and the sale of the VEX assets in October 2020. This decrease was partially offset by a \$5.9 million increase due to volume growth in our Delaware Basin crude assets. Derivative activity associated with our Permian crude assets decreased margin by \$7.4 million, which included \$10.8 million from decreased realized gains and was partially offset by \$3.4 million from increased unrealized gains.
    - A \$12.2 million increase to adjusted gross margin associated with our Permian gas assets. Adjusted gross margin, excluding derivative activity, increased \$15.7 million, which was primarily due to volume growth from additional well connects. Derivative activity associated with our Permian gas assets decreased margin by \$3.5 million, which included \$3.8 million from increased unrealized losses and \$0.3 million from decreased realized losses.
  - Operating expenses in the Permian segment decreased \$18.7 million primarily due to decreased labor and benefits expense as a result of reductions in workforce and reductions in materials and supplies expense, construction fees and services, vehicle expenses, and sales and use tax.
  - Depreciation and amortization in the Permian segment increased \$5.4 million primarily due to new assets placed into service, including the expansion to our Riptide processing plant and the completed construction of our Tiger processing plant.
- **Louisiana Segment.** Gross margin was \$139.8 million for the year ended December 31, 2020 compared to \$143.1 million for the year ended December 31, 2019, a decrease of \$3.3 million primarily due to the following:
  - Adjusted gross margin in the Louisiana segment decreased \$38.9 million, resulting from:
    - A \$20.2 million decrease to adjusted gross margin associated with our ORV crude assets. Adjusted gross margin, excluding derivative activity, decreased \$16.9 million, which was primarily due to lower volumes. Realized losses on derivative activity associated with our ORV crude assets decreased margin by \$3.3 million.
    - A \$14.8 million decrease to adjusted gross margin associated with our Louisiana gas assets. Adjusted gross margin, excluding derivative activity, decreased \$12.8 million, which was primarily due to the expiration of certain firm transportation contracts, and decreased gathering and transportation volumes. Derivative activity associated with our Louisiana gas assets decreased margin by \$2.0 million, which included \$1.8 million from increased unrealized losses and \$0.2 million from increased realized losses.
    - A \$3.9 million decrease to adjusted gross margin associated with our Louisiana NGL transmission and fractionation assets. Adjusted gross margin, excluding derivative activity, increased \$6.6 million, which was primarily due to higher volumes that resulted from the completion of the Cajun-Sibon pipeline expansion in April 2019 and a settlement payment received as the result of a contract dispute in the amount of \$5.5 million. Derivative activity associated with our Louisiana NGL transmission and fractionation assets decreased margin by \$10.5 million, which included \$7.6 million from increased realized losses and \$2.9 million from increased unrealized losses.

- Operating expenses in the Louisiana segment decreased \$27.3 million primarily due to decreased labor and benefits expense as a result of reductions in workforce and reductions in materials and supplies expense, utilities, construction fees and services, compressor rentals, and vehicle expenses.
- Depreciation and amortization in the Louisiana segment decreased \$8.3 million primarily due to the impairment of Louisiana segment assets in the first quarter of 2020.
- *Oklahoma Segment.* Gross margin was \$188.5 million for the year ended December 31, 2020 compared to \$255.2 million for the year ended December 31, 2019, a decrease of \$66.7 million primarily due to the following:
  - Adjusted gross margin in the Oklahoma segment decreased \$66.5 million, resulting from:
    - A \$59.7 million decrease to adjusted gross margin associated with our Oklahoma gas assets. Adjusted gross margin, excluding derivative activity, decreased \$51.7 million, which was primarily due to volume decline in our Oklahoma gas assets resulting from lower volumes from our existing customers. Derivative activity associated with our Oklahoma gas assets decreased margin by \$8.0 million, which included \$4.5 million from increased unrealized losses and \$3.5 million from increased realized losses.
    - A \$6.8 million decrease to adjusted gross margin associated with our Oklahoma crude assets. Adjusted gross margin, excluding derivative activity, decreased \$5.9 million, which was primarily due to volume decline in our Oklahoma crude assets primarily due to lower volumes from our existing customers. Realized losses on derivative activity associated with our Oklahoma crude assets decreased margin by \$0.9 million.
  - Operating expenses in the Oklahoma segment decreased \$21.8 million primarily due to decreased labor and benefits expense as a result of reductions in workforce and reductions in materials and supplies expense, construction fees and services, and compressor rentals.
  - Depreciation and amortization in the Oklahoma segment increased \$22.0 million primarily due to the Thunderbird processing plant, which was operational in June 2019, as well as a change in the estimated useful lives of certain non-core assets.
- *North Texas Segment.* Gross margin was \$127.0 million for the year ended December 31, 2020 compared to \$149.8 million for the year ended December 31, 2019, a decrease of \$22.8 million primarily due to the following:
  - Adjusted gross margin in the North Texas segment decreased \$44.7 million. Adjusted gross margin, excluding derivative activity, decreased \$43.9 million, which was primarily due to volume declines resulting from limited new drilling in the region. Unrealized losses on derivative activity associated with our North Texas segment decreased margin by \$0.8 million.
  - Operating expenses in the North Texas segment decreased \$25.5 million primarily due to decreased labor and benefits expense as a result of reductions in workforce and reductions in materials and supplies expense, operations and maintenance, fees and services, sales and use tax, ad valorem taxes, and compressor rentals.
  - Depreciation and amortization in the North Texas segment increased \$3.6 million primarily due to a change in the estimated useful lives of certain non-core assets and the conclusion of a finance lease in 2019.
- *Corporate Segment.* Gross margin was negative \$7.3 million for the year ended December 31, 2020 compared to negative \$8.4 million for the year ended December 31, 2019. Corporate gross margin consists of depreciation and amortization of corporate assets.

## Critical Accounting Policies

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives but involve an interpretation and implementation of existing rules and the use of judgment to the specific set of circumstances existing in our business. Compliance with the rules involves reducing a number of very subjective judgments to a

quantifiable accounting entry or valuation. We make every effort to properly comply with all applicable rules on or before their adoption, and we believe the proper implementation and consistent application of the accounting rules is critical.

Our critical accounting policies are discussed below. See “Item 2. Financial Statements and Supplementary Data—Note 2” for further details on our accounting policies and future accounting standards to be adopted.

### *Impairment of Long-Lived Assets*

We evaluate long-lived assets, including property and equipment, intangible assets, equity method investments, and lease right-of-use assets, for potential impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the undiscounted sum of the future cash flows expected to result from the use and eventual disposition of the asset. Estimates of expected future cash flows represent management’s best estimate based on reasonable and supportable assumptions. Management’s estimate of future cash flows are subject to uncertainty due to the changing business environment, volatility of commodity prices, and a number of other factors that are beyond our ability to consistently predict. Management updates their estimated future cash flows throughout the year and a potential impairment is highly sensitive to unfavorable changes in the underlying estimated cash flows. When the carrying amount of a long-lived asset is not recoverable, an impairment is recognized equal to the excess of the asset’s carrying value over its fair value, which is based on inputs that are not observable in the market, and thus represent Level 3 inputs. For additional information about our long-lived asset impairment tests, refer to “Item 2. Financial Statements and Supplementary Data—Note 2.”

*Property and Equipment Impairments.* For the year ended December 31, 2021, we recognized a \$0.6 million impairment on property and equipment.

*Right-of-Use Asset Impairment.* During the fourth quarter of 2021, we entered into a sublease agreement for a portion of our Houston office that will be effective in 2022. We evaluated the related right-of-use asset for impairment by comparing the estimated fair value of the right-of-use asset to its carrying value. The estimated fair value was calculated using a discounted cash flow analysis that utilized Level 3 inputs, which included future cash flows based on the terms of the sublease and a discount rate derived from market data. As the carrying value of the right-of-use asset exceeded the estimated fair value, we have recognized impairment expense of \$0.2 million for the year ended December 31, 2021.

To the extent conditions further deteriorate in the current worldwide economic and commodity price environment, we may identify additional triggering events that may require future evaluations of the recoverability of the carrying value of our long-lived assets, which could result in further impairment charges.

## **Liquidity and Capital Resources**

*Cash Flows from Operating Activities.* Net cash provided by operating activities was \$860.3 million for the year ended December 31, 2021 compared to \$725.2 million for the year ended December 31, 2020. Operating cash flows and changes in working capital for comparative periods were as follows (in millions):

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating cash flows before working capital	\$ 816.1	\$ 842.0
Changes in working capital	44.2	(116.8)

Operating cash flows before changes in working capital decreased \$25.9 million for the year ended December 31, 2021 compared to the year ended December 31, 2020. The primary contributors to the decrease in operating cash flows were as follows:

- Gross margin; excluding depreciation and amortization; non-cash commodity swap activity; utility credits, net of usage; and unit-based compensation, decreased \$36.0 million. For more information regarding the changes in gross margin for the year ended December 31, 2021 compared to the year ended December 31, 2020, see “Results of Operations.”
- General and administrative expenses, excluding unit-based compensation, increased \$6.7 million. For more information, see “Results of Operations.”

- Distribution of earnings from unconsolidated affiliates, excluding distributions in excess of earnings which are classified as investing cash flows, decreased \$1.6 million.

These changes to operating cash flows were offset by the following:

- Interest expense, excluding amortization of debt issuance costs, net discount of senior unsecured notes, and designated cash flow hedge, decreased \$10.3 million.
- Cash payments for the early termination of our interest rate swaps, due to the partial repayments of our related party debt, decreased \$9.1 million.

The changes in working capital for the years ended December 31, 2021 and 2020 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 \$231.4 million for the year ended December 31, 2021 compared to \$317.7 million for the year ended December 31, 2020. Our primary investing activities consisted of the following (in millions):

	Year Ended December 31,	
	2021	2020
Additions to property and equipment (1)	\$ (184.0)	\$ (302.2)
Acquisition of assets (2)	(56.7)	(32.3)
Proceeds from sale of property (3)	4.8	17.6

- (1) The decrease in capital expenditures was primarily due to the completion of major projects in 2020.
- (2) Acquisition of assets for the year ended December 31, 2020 included the acquisition of the Jefferson Island storage facility. Acquisition of assets for the year ended December 31, 2021 included the acquisition of Amarillo Rattler assets and other minor acquisitions.
- (3) Proceeds from the sale of assets related to the sale of non-core assets.

*Cash Flows from Financing Activities.* Net cash used in financing activities was \$642.3 million for the year ended December 31, 2021 compared to \$445.3 million for the year ended December 31, 2020. Our primary financing activities consisted of the following (in millions):

	Year Ended December 31,	
	2021	2020
Net borrowings on the AR Facility (1)	\$ 100.0	\$ 250.0
Net repayments on related party debt (1)	(335.0)	(350.8)
Net repurchases on senior unsecured notes (1)	—	(35.2)
Distributions to common units (2)	(186.8)	(232.7)
Redemption of Series B Preferred Units (3)	(50.0)	—
Distributions to Series B Preferred unitholders (3)	(68.9)	(67.3)
Distributions to Series C Preferred unitholders (3)	(24.0)	(24.0)
Distributions to non-controlling interests (4)	(54.8)	(29.9)
Redemption of the EMO Preferred B Units (5)	(198.1)	—
Repayment of the EORV note receivable (5)	170.0	—
Contributions by non-controlling partners (6)	3.2	52.6
Debt financing costs	(0.3)	(7.7)

- (1) See “Item 2. Financial Statements and Supplementary Data—Note 6” for more information regarding the AR Facility, related party debt, and the senior unsecured notes.
- (2) ENLC owns all of our outstanding common units and we make quarterly distributions to ENLC related to its ownership of our common units.
- (3) See “Item 2. Financial Statements and Supplementary Data—Note 7” for information on distributions to holders of the Series B Preferred Units and Series C Preferred Units and information on the partial redemption of Series B Preferred Units.
- (4) Represents distributions to NGP for its ownership in the Delaware Basin JV, distributions to Marathon Petroleum Corporation for its ownership in the Ascension JV, and distributions to other non-controlling interests. 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.
- (5) In December 2021, ENLC redeemed its ownership of EORV. See “Item 2. Financial Statements and Supplementary Data—Note 4” for additional information on this transaction.
- (6) Represents contributions from NGP to the Delaware Basin JV.

*Capital Requirements.* We expect our total capital expenditures and expenses related to the relocation of equipment and facilities, which are recorded as operating expenses, to range between \$285 million to \$325 million for 2022. Our primary capital projects for 2022 include the relocation of the Phantom processing plant, continued development of our existing systems through well connects, and other low-cost development projects. We expect to fund our remaining 2022 capital expenditures from operating cash flows and capital contributions by joint venture partners that relate to the non-controlling interest share of our consolidated entities.

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.

In August 2021, we received a \$4.4 million grant from the Texas Commission on Environmental Quality (“TCEQ”) as a result of the TCEQ Emissions Reduction Incentive Grant Program. This grant will allow us to seek reimbursements for costs associated with upgrading compressor units that will result in reduced nitrogen oxide levels.

*Off-Balance Sheet Arrangements.* We had no off-balance sheet arrangements as of December 31, 2021 and 2020.

*Total Contractual Cash Obligations.* A summary of our total contractual cash obligations as of December 31, 2021 is as follows (in millions):

	Payments Due by Period						
	Total	2022	2023	2024	2025	2026	Thereafter
ENLK's senior unsecured notes	\$3,033.6	\$ —	\$ —	\$ 521.8	\$ 720.8	\$ 491.0	\$ 1,300.0
Related party debt (1)	1,013.7	—	—	15.0	—	—	998.7
AR Facility (2)	350.0	—	—	350.0	—	—	—
Acquisition installment payable (3)	10.0	10.0	—	—	—	—	—
Acquisition contingent consideration (4)	6.9	—	—	2.3	2.4	2.2	—
Interest payable on fixed long-term debt obligations	2,334.9	201.2	201.2	189.7	163.3	148.3	1,431.2
Operating lease obligations	115.6	21.1	15.3	10.1	9.8	8.9	50.4
Purchase obligations	4.9	4.9	—	—	—	—	—
Pipeline and trucking capacity and deficiency agreements (5)	316.0	50.9	54.6	50.9	39.4	30.9	89.3
Inactive easement commitment (6)	10.0	10.0	—	—	—	—	—
Total contractual obligations	<u>\$7,195.6</u>	<u>\$ 298.1</u>	<u>\$ 271.1</u>	<u>\$ 1,139.8</u>	<u>\$ 935.7</u>	<u>\$ 681.3</u>	<u>\$ 3,869.6</u>

- (1) Related party debt includes borrowings under the Consolidated Credit Facility, the 2028 Notes, and the 2029 Notes. The Consolidated Credit Facility will mature on January 25, 2024.
- (2) The AR Facility will terminate on September 24, 2024, unless extended or earlier terminated in accordance with its terms.
- (3) Amount related to the consideration of the Amarillo Rattler, LLC acquisition due on April 30, 2022.
- (4) 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 2. Financial Statements and Supplementary Data—Note 11" for additional information.
- (5) Consists of pipeline capacity payments for firm transportation and deficiency agreements.
- (6) 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 Consolidated 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 Consolidated Credit Facility, which vary from time to time.

Our contractual cash obligations for 2022 are expected to be funded from cash flows generated from our operations and the available capacity under the Consolidated Credit Facility or other debt sources.

## Indebtedness

In October 2020, we entered into the AR Facility, which was originally a three-year committed accounts receivable securitization facility in the amount of up to \$250.0 million. During 2021, we entered into two amendments to the Receivables Financing Agreement, which amended the AR Facility to, among other things, increase the facility limit and lender commitments to \$350.0 million and extend the scheduled termination date to September 24, 2024. As of December 31, 2021, the AR Facility had a borrowing base of \$350.0 million and there was \$350.0 million in outstanding borrowings under the AR Facility.

We have a related party debt arrangement with ENLC to fund the operations and growth capital expenditures of ENLK. Interest charged to us 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 Consolidated 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 2. Financial Statements and Supplementary Data—Note 6” affect balances owed by us on the related party debt. As of December 31, 2021, we have \$1.0 billion in outstanding borrowings under the related party debt arrangement, of which \$15.0 million was related to the Consolidated Credit Facility and \$998.7 million was related to the 2028 Notes and 2029 Notes.

In addition, as of December 31, 2021, we have \$3.0 billion in aggregate principal amount of outstanding unsecured senior notes maturing from 2024 to 2047.

See “Item 2. Financial Statements and Supplementary Data—Note 6” for more information on our outstanding debt.

## **Credit Risk**

Risks of nonpayment and nonperformance by our customers are a major concern in our business. We are subject to risks of loss resulting from nonpayment or nonperformance by our customers and other counterparties, such as our lenders and hedging counterparties. Any increase in the nonpayment and nonperformance by our customers could adversely affect our results of operations and reduce our ability to make distributions to our unitholders.

## **Inflation**

Inflation in the United States has been relatively low in recent years. However, the annual U.S. inflation rate has accelerated throughout 2021 and this trend is expected to continue in 2022. In addition, base interest rates are expected to rise in 2022. Although we do not expect inflation to have a material effect on our results, the increased inflation may increase the cost to acquire or replace property and equipment and the costs 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.

## **Environmental**

Our operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. We believe we are in material compliance with all applicable laws and regulations. For a more complete discussion of the environmental laws and regulations that impact us, see “Item 1. Business—Environmental Matters” in ENLC’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Commission on February 16, 2022.

## **Contingencies**

See “Item 2. Financial Statements and Supplementary Data—Note 12.”

## **Recent Accounting Pronouncements**

See “Item 2. Financial Statements and Supplementary Data—Note 2” in our Annual Report for the year ended December 31, 2020 for information on recently issued and adopted accounting pronouncements.

## **Disclosure Regarding Forward-Looking Statements**

This 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 Annual 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 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 Consolidated Credit Facility and certain of their other debt, (e) the dependence on Devon for a substantial portion of the natural gas and crude that we gather, process, and transport, (f) developments that materially and adversely affect Devon 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, and (t) 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 Annual 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.

## **Item 2. Financial Statements and Supplementary Data**

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## **Report of Independent Registered Public Accounting Firm**

To the Partners of EnLink Midstream Partners, LP  
and Board of Directors of EnLink Midstream GP, LLC:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of EnLink Midstream Partners, LP and subsidiaries (the Partnership) as of December 31, 2021 and December 31, 2020, the related consolidated statements of operations, comprehensive income (loss), changes in partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021 and December 31, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Evaluation of long-lived assets for impairment triggering events*

As discussed in Note 2 to the consolidated financial statements, the Partnership evaluates property, plant, and equipment and intangible assets (collectively, long-lived assets) for potential impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable (triggering events). Triggering events include significant changes in the use of the asset group, current and/or historical operating results that are significantly less than forecasted results, negative industry or economic trends including changes in commodity prices, significant adverse changes in legal or regulatory factors, or an expectation that it is more likely than not that an asset group will be sold before the end of its useful life. The carrying value of property, plant, and equipment and intangible assets as of December 31, 2021 was \$6.39 billion and \$1.05 billion, respectively

We identified the evaluation of long-lived assets for impairment triggering events as a critical audit matter. A higher degree of subjective auditor judgment was required to evaluate the impact of forecasted prices for oil, natural gas, and natural gas liquids (NGL) on the recoverability of the Partnership's long-lived assets as sustained declines in commodity prices could result in decreases in volumes gathered, processed, fractionated, and transported by the Partnership.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Partnership's process to evaluate triggering events related to the impairment of long-lived assets. This included controls related to the Partnership's selection of forecasted prices for oil, natural gas, and NGL and the identification and assessment of the potential impacts of such prices on oil, natural gas, and NGL volumes available to the Partnership. We examined the Partnership's analysis of potential triggering events for long-lived assets and evaluated the Partnership's responses to the factors identified by inspecting publicly available information regarding rig counts and producer drilling outlook. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the forecasted prices for oil, natural gas, and NGL used in the Partnership's analysis by comparing such prices to commodity price curves prepared by third parties.

/s/ KPMG LLP

We have served as the Partnership's auditor since 2013

Dallas, Texas  
February 16, 2022

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In millions, except unit data)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 26.2	\$ 39.6
Accounts receivable:		
Trade, net of allowance for bad debt of \$0.3 and \$0.5, respectively	94.9	80.6
Accrued revenue and other	693.3	447.5
Related party	42.2	43.2
Fair value of derivative assets	22.4	25.0
Other current assets	83.6	58.7
Total current assets	<u>962.6</u>	<u>694.6</u>
Property and equipment, net of accumulated depreciation of \$4,332.0 and \$3,863.0, respectively	6,388.3	6,652.1
Intangible assets, net of accumulated amortization of \$795.1 and \$668.8, respectively	1,049.7	1,125.4
Investment in unconsolidated affiliates	28.0	41.6
Fair value of derivative assets	0.2	4.9
Note receivable from related party	—	170.0
Other assets, net	95.6	74.1
Total assets	<u>\$ 8,524.4</u>	<u>\$ 8,762.7</u>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
Current liabilities:		
Accounts payable and drafts payable	\$ 139.6	\$ 60.5
Accrued gas, NGLs, condensate, and crude oil purchases (1)	521.5	291.5
Fair value of derivative liabilities	34.9	37.1
Current maturities of long-term debt, from related parties	—	349.8
Other current liabilities	187.5	144.9
Total current liabilities	<u>883.5</u>	<u>883.8</u>
Long-term debt, including \$1,013.7 and \$998.9 from related parties, respectively	4,363.7	4,244.0
Other long-term liabilities	93.9	94.8
Deferred tax liability	5.4	6.0
Fair value of derivative liabilities	2.2	2.5
Partners' equity:		
Common unitholders (144,358,720 units issued and outstanding)	1,298.1	1,418.1
Series B preferred unitholders (57,501,693 and 60,197,784 units issued and outstanding, respectively)	850.8	896.7
Series C preferred unitholders (400,000 units outstanding)	395.1	395.1
General partner interest (1,594,974 equivalent units outstanding)	216.9	216.0
Accumulated other comprehensive loss	(1.9)	(20.1)
Non-controlling interest	416.7	625.8
Total partners' equity	<u>3,175.7</u>	<u>3,531.6</u>
Commitments and contingencies (Note 12)		
Total liabilities and partners' equity	<u>\$ 8,524.4</u>	<u>\$ 8,762.7</u>

(1) Includes related party accounts payable balances of \$1.6 million and \$1.0 million at December 31, 2021 and December 31, 2020, respectively.

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
Revenues:			
Product sales	\$ 5,994.0	\$ 2,977.5	\$ 5,030.1
Midstream services	851.0	938.3	1,008.4
Gain (loss) on derivative activity	(159.1)	(22.0)	14.4
Total revenues	6,685.9	3,893.8	6,052.9
Operating costs and expenses:			
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	5,189.9	2,388.5	4,392.5
Operating expenses	362.9	373.8	467.1
Depreciation and amortization	607.5	638.6	617.0
Impairments	0.8	178.2	198.2
(Gain) loss on disposition of assets	(1.5)	8.8	(1.9)
General and administrative	107.5	103.4	139.2
Loss on secured term loan receivable	—	—	52.9
Total operating costs and expenses	6,267.1	3,691.3	5,865.0
Operating income	418.8	202.5	187.9
Other income (expense):			
Interest expense, net of interest income (2)	(225.6)	(223.3)	(215.7)
Gain on extinguishment of debt	—	32.0	—
Income (loss) from unconsolidated affiliates	(11.5)	0.6	(16.8)
Other income	0.2	0.1	0.9
Total other expense	(236.9)	(190.6)	(231.6)
Income (loss) before non-controlling interest and income taxes	181.9	11.9	(43.7)
Income tax expense	(0.2)	(1.7)	(2.5)
Net income (loss)	181.7	10.2	(46.2)
Net income attributable to non-controlling interest	40.4	13.0	8.1
Net income (loss) attributable to ENLK	\$ 141.3	\$ (2.8)	\$ (54.3)

(1) Includes related party cost of sales of \$17.9 million, \$8.7 million, and \$21.7 million for the years ended December 31, 2021, 2020, and 2019, respectively.

(2) Includes related party interest expense, net of related party interest income, of \$51.8 million, \$58.3 million, and \$66.0 million for the year ended December 31, 2021, 2020 and 2019, respectively.

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$ 181.7	\$ 10.2	\$ (46.2)
Unrealized gain (loss) on designated cash flow hedge	18.2	(5.6)	(12.4)
Comprehensive income (loss)	199.9	4.6	(58.6)
Comprehensive income attributable to non-controlling interest	40.4	13.0	8.1
Comprehensive income (loss) attributable to ENLK	<u>\$ 159.5</u>	<u>\$ (8.4)</u>	<u>\$ (66.7)</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	Redeemable Non-controlling interest (Temporary Equity)
	\$	Units	\$	Units	\$	Units	\$	Units	\$	\$	\$	\$
Balance, December 31, 2018	\$ 2,460.8	353.1	\$ 889.3	58.7	\$ 395.1	0.4	\$ 231.2	1.6	\$ (2.1)	\$ 309.8	\$ 4,284.1	\$ 9.3
Adoption of ASC 842	0.3	—	—	—	—	—	—	—	—	—	0.3	—
Balance, January 1, 2019	2,461.1	353.1	889.3	58.7	395.1	0.4	231.2	1.6	(2.1)	309.8	4,284.4	9.3
Conversion of restricted units for common units, net of units withheld for taxes	(2.8)	0.5	—	—	—	—	—	—	—	—	(2.8)	—
Unit-based compensation	1.4	—	—	—	—	—	37.0	—	—	—	38.4	—
Distributions	(667.0)	—	(67.4)	0.9	(24.0)	—	(15.6)	—	—	(23.8)	(797.8)	(0.3)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	97.5	97.5	—
Unrealized loss on designated cash flow hedge	—	—	—	—	—	—	—	—	(12.4)	—	(12.4)	—
Fair value adjustment related to redeemable non-controlling interest	4.0	—	—	—	—	—	—	—	—	—	4.0	(4.0)
Net income (loss)	(115.5)	—	73.2	—	24.0	—	(36.0)	—	—	7.9	(46.4)	0.2
Issuance of common units to ENLC for acquisition of EOGP	—	55.8	—	—	—	—	—	—	—	—	—	—
Conversion of ENLK common units into ENLC units	—	(265.0)	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2019	1,681.2	144.4	895.1	59.6	395.1	0.4	216.6	1.6	(14.5)	391.4	3,564.9	5.2
Unit-based compensation	—	—	—	—	—	—	33.0	—	—	—	33.0	—
Distributions	(232.7)	—	(67.3)	0.6	(24.0)	—	—	—	—	(29.3)	(353.3)	(0.6)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	52.6	52.6	—
Unrealized loss on designated cash flow hedge	—	—	—	—	—	—	—	—	(5.6)	—	(5.6)	—
Fair value adjustment related to redeemable non-controlling interest	0.6	—	—	—	—	—	—	—	—	—	0.6	(0.6)
Redemption of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(4.0)
Transfer of EORV entity	31.1	—	—	—	—	—	—	—	—	198.1	229.2	—
Net income (loss)	(62.1)	—	68.9	—	24.0	—	(33.6)	—	—	13.0	10.2	—
Balance, December 31, 2020	<u>\$ 1,418.1</u>	<u>144.4</u>	<u>\$ 896.7</u>	<u>60.2</u>	<u>\$ 395.1</u>	<u>0.4</u>	<u>\$ 216.0</u>	<u>1.6</u>	<u>\$ (20.1)</u>	<u>\$ 625.8</u>	<u>\$ 3,531.6</u>	<u>\$ —</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	\$	\$	\$	\$
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	—	—	—	—	—	—	23.6	—	—	—	23.6	—
Distributions	(186.8)	—	(68.9)	0.6	(24.0)	—	—	—	—	(54.6)	(334.3)	(0.2)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	3.2	3.2	—
Unrealized gain on designated cash flow hedge	—	—	—	—	—	—	—	—	18.2	—	18.2	—
Fair value adjustment related to redeemable non-controlling interest	(0.2)	—	—	—	—	—	—	—	—	—	(0.2)	0.2
Redemption of Series B Preferred Units	—	—	(50.0)	(3.3)	—	—	—	—	—	—	(50.0)	—
Redemption of the EMO Preferred B Units	—	—	—	—	—	—	—	—	—	(198.1)	(198.1)	—
Net income (loss)	67.0	—	73.0	—	24.0	—	(22.7)	—	—	40.4	181.7	—
Balance, December 31, 2021	<u>\$ 1,298.1</u>	<u>144.4</u>	<u>\$ 850.8</u>	<u>57.5</u>	<u>\$ 395.1</u>	<u>0.4</u>	<u>\$ 216.9</u>	<u>1.6</u>	<u>\$ (1.9)</u>	<u>\$ 416.7</u>	<u>\$ 3,175.7</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 181.7	\$ 10.2	\$ (46.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	607.5	638.6	617.0
Impairments	0.8	178.2	198.2
(Gain) loss on disposition of assets	(1.5)	8.8	(1.9)
Loss on secured term loan receivable	—	—	52.9
Non-cash unit-based compensation	25.3	28.4	39.2
Utility credits, net of usage	(32.6)	—	—
Non-cash loss on derivatives recognized in net income (loss)	10.3	14.8	2.5
Gain on extinguishment of debt	—	(32.0)	—
Amortization of debt issuance costs and net discount of senior unsecured notes	5.2	4.6	4.9
Amortization of designated cash flow hedge	12.5	0.5	0.1
Payments to terminate interest rate swaps	(1.8)	(10.9)	—
Deferred tax expense (benefit)	(0.6)	0.7	2.1
Distribution of earnings from unconsolidated affiliates	—	1.6	16.5
(Income) loss from unconsolidated affiliates	11.5	(0.6)	16.8
Other operating activities	(2.2)	(0.9)	(2.3)
Changes in assets and liabilities:			
Accounts receivable, accrued revenue, and other	(259.0)	(26.6)	320.3
Natural gas and NGLs inventory, prepaid expenses, and other	(14.0)	14.2	12.7
Accounts payable, accrued product purchases, and other accrued liabilities	317.2	(104.4)	(248.3)
Net cash provided by operating activities	860.3	725.2	984.5
Cash flows from investing activities:			
Additions to property and equipment	(184.0)	(302.2)	(754.9)
Acquisition of assets	(56.7)	(32.3)	—
Proceeds from sale of property	4.8	17.6	14.3
Distribution from unconsolidated affiliates in excess of earnings	3.9	0.5	3.7
Other investing activities	0.6	(1.3)	(4.6)
Net cash used in investing activities	(231.4)	(317.7)	(741.5)
Cash flows from financing activities:			
Proceeds from borrowings	1,234.5	1,650.0	4,160.0
Payments on borrowings	(1,469.5)	(1,786.0)	(3,710.0)
Distribution to common unitholders and to general partner	(186.8)	(232.7)	(682.6)
Redemption of Series B Preferred Units	(50.0)	—	—
Distributions to Series B Preferred Unitholders	(68.9)	(67.3)	(67.4)
Distributions to Series C Preferred Unitholders	(24.0)	(24.0)	(24.0)
Distributions to non-controlling interests	(54.8)	(29.9)	(24.1)
Redemption of the EMO Preferred B Units	(198.1)	—	—
Repayment of the EORV note receivable	170.0	—	—
Contributions by non-controlling interests	3.2	52.6	97.5
Debt financing costs	(0.3)	(7.7)	(10.0)
Other financing activities	2.4	(0.3)	(4.5)
Net cash used in financing activities	(642.3)	(445.3)	(265.1)
Net decrease in cash and cash equivalents	(13.4)	(37.8)	(22.1)
Cash and cash equivalents, beginning of period	39.6	77.4	99.5
Cash and cash equivalents, end of period	\$ 26.2	\$ 39.6	\$ 77.4

See accompanying notes to consolidated financial statements.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**(1) Organization and Nature of Business**

***(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.

*EOGP Acquisition and Transfer of EOGP Interest*

On January 7, 2016, EOGP, an indirect subsidiary of ENLK, completed its acquisition of 100% of the issued and outstanding membership interests of TOMPC LLC and TOM-STACK, LLC. As a result of the acquisition, the Operating Partnership acquired an 83.9% limited partner interest in EOGP, and ENLC acquired the remaining 16.1% limited partner interest in EOGP. On January 31, 2019, ENLC transferred its 16.1% limited partner interest in EOGP to the Operating Partnership in exchange for 55,827,221 ENLK common units, resulting in the Operating Partnership owning 100% of the limited partner interests in EOGP.

*Devon Transaction*

In 2014, we completed a series of transactions with Devon pursuant to which Devon contributed certain subsidiaries and assets to us in exchange for a majority interest in us (the "Devon Transaction").

*GIP Transaction*

On July 18, 2018, subsidiaries of Devon closed a transaction to sell all of their equity interests in ENLK, ENLC, and the managing member of ENLC to GIP. As a result of the transaction:

- GIP, through GIP III Stetson I, L.P., acquired all of the equity interests held by subsidiaries of Devon in ENLK and the managing member of ENLC, which, as of the closing date, amounted to 100% of the outstanding limited liability company interests in the managing member of ENLC and approximately 23.1% of the outstanding limited partner interests in ENLK;
- GIP, through GIP III Stetson II, L.P., acquired all of the equity interests held by subsidiaries of Devon in ENLC, which, as of the closing date, amounted to approximately 63.8% of the outstanding limited liability company interests in ENLC; and
- Through this transaction, GIP acquired control of (i) the managing member of ENLC, (ii) ENLC, and (iii) ENLK, as a result of ENLC's ownership of our general partner.

*Simplification of the Corporate Structure*

On January 25, 2019, we completed the Merger, an internal reorganization pursuant to which ENLC owns all of the outstanding common units of ENLK. As a result of the Merger:

- Each issued and outstanding ENLK common unit (except for ENLK common units held by ENLC and its subsidiaries) was converted into 1.15 ENLC common units, which resulted in ENLC owning all of the remaining outstanding ENLK common units.
- Our general partner's incentive distribution rights in ENLK were eliminated.
- Certain terms of the Series B Preferred Units were modified pursuant to an amended partnership agreement of ENLK. See "Note 7—Partners' Capital" for additional information regarding the modified terms of the Series B Preferred Units.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

- ENLC issued to the holder of the Series B Preferred Units, for no additional consideration, ENLC Class C Common Units equal to the number of Series B Preferred Units held immediately prior to the effective time of the Merger, in order to provide Series B Preferred Unit holders with certain voting rights with respect to ENLC. ENLC also agreed to issue an additional ENLC Class C Common Unit to the applicable holder of each Series B Preferred Unit for each additional Series B Preferred Unit issued by ENLK in quarterly in-kind distributions. In addition, for each Series B Preferred Unit that is exchanged into an ENLC common unit or repurchased, an ENLC Class C Common Unit will be canceled.
- Each unit-based award issued and outstanding immediately prior to the effective time of the Merger under the GP Plan was converted into 1.15 awards with respect to ENLC common units with substantially similar terms as were in effect immediately prior to the effective time.
- Each unit-based award with performance-based vesting conditions issued and outstanding immediately prior to the effective time of the Merger under the GP Plan and the 2014 Plan was modified such that the performance metric for any then outstanding performance award relates (on a weighted average basis) to (i) the combined performance of ENLC and ENLK for periods preceding the effective time of the Merger and (ii) the performance of ENLC for periods on and after the effective time of the Merger.
- ENLC assumed the outstanding debt under the Term Loan and ENLK became a guarantor thereof. See “Note 6—Long-Term Debt” for additional information regarding the Term Loan.
- We refinanced our existing revolving credit facilities at ENLK and ENLC. In connection with the Merger, ENLC entered into the Consolidated Credit Facility, with respect to which ENLK is a guarantor. See “Note 6—Long-Term Debt” for additional information regarding the Consolidated Credit Facility.

*Transfer and Redemption of EMO Preferred B Units*

EORV, a wholly-owned subsidiary of ENLK, was a corporation that purchased Ohio River Valley assets associated with the acquisition of Clearfield Energy, Inc. and its wholly-owned subsidiaries in 2012. These assets were transferred to EMO in exchange for 198,871 EMO Preferred B Units at \$1,000 each. In December 2020, we sold our ownership of EORV to ENLC. In December 2021, ENLC redeemed the EMO Preferred B Units. See “Note 4—Related Party Transactions” for additional information regarding the sale of our ownership of EORV to ENLC and ENLC’s redemption of EMO Preferred B Units.

***(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.

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.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

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.

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 have been prepared in accordance with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. 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 (loss).

### ***(b) Management's Use of Estimates***

The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

### ***(c) Revenue Recognition***

We generate the majority of our revenues from midstream energy services, including gathering, transmission, processing, fractionation, storage, condensate stabilization, brine services, and marketing, through various contractual arrangements, which include fee-based contract arrangements or arrangements where we purchase and resell commodities in connection with providing the related service and earn a net margin for our fee. 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. Revenues from both "Product sales" and "Midstream services" represent revenues from contracts with customers and are reflected on the consolidated statements of operations as follows:

- *Product sales*—Product sales represent the sale of natural gas, NGLs, crude oil, and condensate where the product is purchased and resold in connection with providing our midstream services as outlined above.
- *Midstream services*—Midstream services represent all other revenue generated as a result of performing our midstream services outlined above.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Evaluation of Our Contractual Performance Obligations*

Performance obligations in our contracts with customers include:

- promises to perform midstream services for our customers over a specified contractual term and/or for a specified volume of commodities; and
- promises to sell a specified volume of commodities to our customers.

The identification of performance obligations under our contracts requires a contract-by-contract evaluation of when control, including the economic benefit, of commodities transfers to and from us (if at all). For contracts where control of commodities transfers to us before we perform our services, we generally have no performance obligation for our services, and accordingly, we do not consider these revenue-generating contracts. Based on the control determination, all contractually-stated fees that are deducted from our payments to producers or other suppliers for commodities purchased are reflected as a reduction in the cost of such commodity purchases. Alternatively, for contracts where control of commodities transfers to us after we perform our services, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating and recognize the fees received for satisfying them as midstream services revenues over time as we satisfy our performance obligations. For contracts where control of commodities never transfers to us and we simply earn a fee for our services, we recognize these fees as midstream services revenues over time as we satisfy our performance obligations.

We also evaluate our contractual arrangements that contain a purchase and sale of commodities under the principal/agent provisions in ASC 606. For contracts where we possess control of the commodity and act as principal in the purchase and sale, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities when purchased. For contracts in which we do not possess control of the commodity and are acting as an agent, our consolidated statements of operations only reflect midstream services revenues that we earn based on the fees contained in the applicable contract.

*Accounting Methodology for Certain Contracts*

For NGL contracts in which we purchase raw mix NGLs and subsequently transport, fractionate, and market the NGLs, we consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of the commodities purchased. We account for the contractually-stated fees on the consolidated statements of operations as a reduction of cost of sales of such commodities purchased upon receipt of the raw mix NGLs, because we determined that the control, including the economic benefit, of commodities has passed to us once the raw mix NGLs have been purchased from the customer. Upon sale of the NGLs to a third-party customer, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities purchased.

For our crude oil and condensate service contracts in which we purchase the commodity, we utilize a similar approach under as outlined above for NGL contracts.

For our natural gas gathering and processing contracts in which we perform midstream services and also purchase the natural gas, we determine if economic control of the commodities has passed from the producer to us before or after we perform our services (if at all). Control is assessed on a contract-by-contract basis by analyzing each contract's provisions, which can include provisions for: the customer to take its residue gas and/or NGLs in-kind; fixed or actual NGL or keep-whole recovery; commodity purchase prices at weighted average sales price or market index-based pricing; and various other contract-specific considerations. Based on this control assessment, our gathering and processing contracts fall into two primary categories:

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas passes to us when the natural gas is brought into our system, we do not consider these contracts to contain performance obligations for our services. As control of the natural gas passes to us prior to performing our gathering and processing services, we are, in effect, performing our services for our own benefit. Based on this control determination, we consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of such commodity purchased upon receipt of the natural gas, rather than being recorded as midstream services revenue. Upon sale of the residue gas and/or NGLs to a third-party customer, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities purchased, net of fees.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas does not pass to us until after the natural gas has been gathered and processed, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating, and we recognize the fees received for satisfying these performance obligations as midstream services revenues over time as we satisfy our performance obligations.

For midstream service contracts related to NGL, crude oil, or natural gas gathering and processing in which there is no commodity purchase or control of the commodity never passes to us and we simply earn a fee for our services, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating, and we recognize the fees received for satisfying these performance obligations as midstream services revenue over time as we satisfy our performance obligations.

For our natural gas transmission contracts, we determined that control of the natural gas never transfers to us and we simply earn a fee for our services. Therefore, we recognize these fees as midstream services revenue over time as we satisfy our performance obligations.

We also evaluate our commodity marketing contracts, under which we purchase and sell commodities in connection with our gas, NGL, and crude and condensate midstream services, pursuant to ASC 606, including the principal/agent provisions. For contracts in which we possess control of the commodity and act as principal in the purchase and sale of commodities, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities when purchased. For contracts in which we do not possess control of the commodity and are acting as agent, our consolidated statements of operations only reflect midstream services revenues that we earn based on the fees contained in the applicable contract.

*Satisfaction of Performance Obligations and Recognition of Revenue*

For our commodity sales contracts, we satisfy our performance obligations at the point in time at which the commodity transfers from us to the customer. This transfer pattern aligns with our billing methodology. Therefore, we recognize product sales revenue at the time the commodity is delivered and in the amount to which we have the right to invoice the customer. For our midstream service contracts that contain revenue-generating performance obligations, we satisfy our performance obligations over time as we perform the midstream service and as the customer receives the benefit of these services over the term of the contract. We recognize revenue in the amount to which the entity has a right to invoice, since we have a right to consideration from our customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Accordingly, we continue to recognize revenue over time as our midstream services are performed.

We generally accrue one month of sales and the related natural gas, NGL, condensate, and crude oil purchases and reverse these accruals when the sales and purchases are invoiced and recorded in the subsequent month. Actual results could differ from the accrual estimates. We typically receive payment for invoiced amounts within one month, depending on the terms of the contract. Prior to issuing our financial statements, we review our revenue and purchases estimates based on available information to determine if adjustments are required. We account for taxes collected from customers attributable to revenue transactions and remitted to government authorities on a net basis (excluded from revenues).



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Minimum Volume Commitments and Firm Transportation Contracts*

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.

<b><i>Contractually Committed Fees</i></b>	<b>Commitments</b>
2022	\$ 138.8
2023	126.5
2024	108.9
2025	63.8
2026	57.8
Thereafter	289.6
Total	<u><u>\$ 785.4</u></u>

***(d) Acquisition of Business***

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. In connection with the purchase, we entered into an amended and restated gas gathering and processing agreement with Diamondback Energy, strengthening our dedicated acreage position with that entity. We acquired the system with an upfront payment of \$50.0 million, which was paid with cash-on-hand, with an additional \$10.0 million to be paid on April 30, 2022, and contingent consideration capped at \$15.0 million and payable between 2024 and 2026 based on Diamondback Energy's drilling activity above historical levels.

Under the acquisition method of accounting, the acquired assets of Amarillo Rattler, LLC have been recorded at their respective fair values as of the date of the acquisition. Determining the fair value of the assets of Amarillo Ratter, LLC requires judgment and certain assumptions to be made, particularly related to the valuation of acquired customer relationships. The inputs and assumptions related to the customer relationships are categorized as level 3 in the fair value hierarchy. On a historical pro forma basis, our consolidated revenues, net income (loss), total assets, and earnings per unit amounts would not have differed materially had the acquisition been completed on January 1, 2021 rather than April 30, 2021. The following table presents the fair value of the identified assets received and liabilities assumed at the acquisition date (in millions):



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**Consideration**

Cash (including working capital payment)	\$ 50.6
Installment payable	10.0
Contingent consideration fair value (1)	6.9
Total consideration:	<u>\$ 67.5</u>

**Purchase price allocation**

Assets acquired:	
Current assets (including \$1.3 million in cash)	\$ 1.4
Property and equipment	16.3
Intangible assets	50.6
Other assets, net (2)	0.6
Liabilities assumed:	
Current liabilities	(0.8)
Other long-term liabilities (2)	(0.6)
Net assets acquired	<u>\$ 67.5</u>

- (1) 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 the estimated fair values.
- (2) “Other assets, net” and “Other long-term liabilities” consist of the right-of-use asset and lease liability, respectively, recorded through the acquisition of Amarillo Rattler, LLC.

***(e) Loss on Secured Term Loan Receivable***

In late May 2019, White Star, the counterparty to our \$58.0 million second lien secured term loan receivable, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. White Star defaulted on its May 2019 installment payment prior to filing for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In November 2019, White Star sold its assets and we did not recover any amounts then owed to us under the second lien secured term loan. As a result, we have recorded a \$52.9 million loss in our consolidated statement of operations for the year ended December 31, 2019, which represents a full write-down of the second lien secured term loan.

***(f) Gas Imbalance Accounting***

Quantities of natural gas and NGLs over-delivered or under-delivered related to imbalance agreements are recorded monthly as receivables or payables using weighted average prices at the time of the imbalance. These imbalances are typically settled with deliveries of natural gas or NGLs. We had imbalance payables of \$16.3 million and \$6.1 million at December 31, 2021 and 2020, respectively, which approximate the fair value of these imbalances. We had imbalance receivables of \$14.5 million and \$7.5 million at December 31, 2021 and 2020, respectively, which are carried at the lower of cost or market value. Imbalance receivables and imbalance payables are included in the line items “Accrued revenue and other” and “Accrued gas, NGLs, condensate, and crude oil purchases,” respectively, on the consolidated balance sheets.

***(g) Cash and Cash Equivalents***

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(h) Income Taxes**

Certain of our operations are subject to income taxes assessed by the federal and various state jurisdictions in the U.S. Additionally, certain of our operations are subject to tax assessed by the state of Texas that is computed based on modified gross margin as defined by the State of Texas. The Texas franchise tax is presented as income tax expense in the accompanying statements of operations.

We account for deferred income taxes related to the federal and state jurisdictions using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the future tax benefits attributable to the expected utilization of existing tax net operating loss carryforwards and other types of carryforwards. If the future utilization of some portion of carryforwards is determined to be unlikely, a valuation allowance is provided to reduce the recorded tax benefits from such assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In the event interest or penalties are incurred with respect to income tax matters, our policy will be to include such items in income tax expense. We record deferred tax assets and liabilities on a net basis on the consolidated balance sheets, with deferred tax assets included in "Other assets, net" and deferred tax liabilities included in "Deferred tax liability, net."

**(i) Natural Gas, Natural Gas Liquids, Crude Oil, and Condensate Inventory**

Our inventories of products consist of natural gas, NGLs, crude oil, and condensate. We report these assets at the lower of cost or market value which is determined by using the first-in, first-out method.

**(j) Property and Equipment**

Property and equipment are stated at historical cost less accumulated depreciation. Assets acquired in a business combination are recorded at fair value. Routine repairs and maintenance are charged against income when incurred. Renewals and improvements that extend the useful life or improve the function of the properties are capitalized. Interest costs for material projects are capitalized to property and equipment during the period the assets are undergoing preparation for intended use.

The components of property and equipment, net of accumulated depreciation are as follows (in millions):

	Year Ended December 31,	
	2021	2020
Transmission assets	\$ 1,442.2	\$ 1,410.5
Gathering systems	4,903.8	4,782.9
Gas processing plants	4,119.1	4,082.1
Other property and equipment	161.0	161.0
Construction in process	94.2	78.6
Property and equipment	10,720.3	10,515.1
Accumulated depreciation	(4,332.0)	(3,863.0)
Property and equipment, net of accumulated depreciation	<u>\$ 6,388.3</u>	<u>\$ 6,652.1</u>

*Depreciation Expense.* Depreciation is calculated using the straight-line method based on the estimated useful life of each asset, as follows:

	Useful Lives
Transmission assets	20 - 25 years
Gathering systems	20 - 25 years
Gas processing plants	20 - 25 years
Other property and equipment	3 - 25 years

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Gain or Loss on Disposition.* Upon the disposition or retirement of property and equipment, any gain or loss is recognized in operating income in the consolidated statements of operations. For the years ended December 31, 2021, 2020, and 2019, dispositions primarily related to the sale of certain non-core assets. The (gain) loss on disposition of assets are as follows (in millions):

	Year Ended December 31,		
	2021	2020	2019
Net book value of assets disposed	\$ 3.3	\$ 36.4	\$ 12.4
Less:			
Proceeds from sales	(4.8)	(27.6)	(14.3)
(Gain) loss on disposition of assets	<u>\$ (1.5)</u>	<u>\$ 8.8</u>	<u>\$ (1.9)</u>

*Impairment Review.* In accordance with ASC 360, *Property, Plant, and Equipment*, we evaluate long-lived assets of identifiable business activities for potential impairment whenever events or changes in circumstances, or triggering events, indicate that their carrying value may not be recoverable. Triggering events include, but are not limited to, significant changes in the use of the asset group, current operating results that are significantly less than forecasted results, negative industry or economic trends including changes in commodity prices, significant adverse changes in legal or regulatory factors, or an expectation that it is more likely than not that an asset group will be sold before the end of its useful life. The carrying amount of a long-lived asset is not recoverable when it exceeds the undiscounted sum of the future cash flows expected to result from the use and eventual disposition of the asset. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions. When the carrying amount of a long-lived asset is not recoverable, an impairment is recognized equal to the excess of the asset's carrying value over its fair value, which is based on inputs that are not observable in the market, and thus represent Level 3 inputs.

When determining whether impairment of our long-lived assets has occurred, we must estimate the undiscounted cash flows attributable to the asset. Our estimate of cash flows is based on assumptions regarding:

- the future fee-based rate of new business or contract renewals;
- the purchase and resale margins on natural gas, NGLs, crude oil, and condensate;
- the volume of natural gas, NGLs, crude oil, and condensate available to the asset;
- markets available to the asset;
- operating expenses; and
- future natural gas, NGLs, crude oil, and condensate prices.

The amount of availability of natural gas, NGLs, crude oil, and condensate to an asset is sometimes based on assumptions regarding future drilling activity, which may be dependent in part on natural gas, NGL, crude oil, and condensate prices. Projections of natural gas, NGL, crude oil, and condensate volumes and future commodity prices are inherently subjective and contingent upon a number of variable factors, including but not limited to:

- changes in general economic conditions in regions in which our markets are located;
- the availability and prices of natural gas, NGLs, crude oil, and condensate supply;
- our ability to negotiate favorable sales agreements;
- the risks that natural gas, NGLs, crude oil, and condensate exploration and production activities will not occur or be successful;
- our dependence on certain significant customers, producers, and transporters of natural gas, NGLs, crude oil, and condensate; and
- competition from other midstream companies, including major energy companies.

For the year ended December 31, 2021, we recognized a \$0.6 million impairment on property and equipment.

For the year ended December 31, 2020, we recognized a \$168.0 million impairment on property and equipment related to a portion of our Louisiana reporting segment because the carrying amounts were not recoverable based on our expected future cash flows, and \$3.4 million of impairments related to certain cancelled projects.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended December 31, 2019, we recognized a \$7.9 million impairment on property and equipment related to certain decommissioned and removed non-core assets.

***(k) Comprehensive Income (Loss)***

Comprehensive income (loss) is comprised of net income (loss) and the effective portion of gains or losses on derivative financial instruments that qualify as cash flow hedges pursuant to ASC 815. For additional information about the effect of financial instruments on comprehensive income (loss), see “Note 10—Derivatives.”

***(l) Equity Method of Accounting***

We account for investments where we do not control the investment but have the ability to exercise significant influence using the equity method of accounting. Under this method, unconsolidated affiliate investments are initially carried at the acquisition cost, increased by our proportionate share of the investee’s net income and by contributions made, and decreased by our proportionate share of the investee’s net losses and by distributions received.

We evaluate our unconsolidated affiliate investments for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. We recognize impairments of our investments as a loss from unconsolidated affiliates on our consolidated statements of operations.

We recognized a \$31.4 million loss for the year ended December 31, 2019 related to the impairment of the carrying value of the Cedar Cove JV, as we determined that the carrying value of our investment was not recoverable based on the forecasted cash flows from the Cedar Cove JV.

For additional information, see “Note 8—Investment in Unconsolidated Affiliates.”

***(m) Non-controlling Interests***

We account for investments where we control the investment using the consolidation method of accounting. Under this method, we consolidate all the assets and liabilities of an investment on our consolidated balance sheets and record non-controlling interest for the portion of the investment that we do not own. We include all of an investment’s results of operations on our consolidated statements of operations and record income attributable to non-controlling interests for the portion of the investment that we do not own.

Our non-controlling interests for the years ended December 31, 2021, 2020, and 2019 relate to NGP’s 49.9% ownership of the Delaware Basin JV, and Marathon Petroleum Corporation’s 50.0% ownership interest in the Ascension JV. Subsequent to the transfer of EORV in December 2020, ENLK’s non-controlling interests also relate to ENLC’s ownership of EORV until ENLC’s redemption of the EMO Preferred B Units in December 2021. See “Note 4—Related Party Transactions” for additional information regarding the sale of our ownership of EORV to ENLC and ENLC’s redemption of EMO Preferred B Units.

***(n) Goodwill***

Goodwill is the cost of an acquisition less the fair value of the net identifiable assets of the acquired business. We evaluated goodwill for impairment annually as of October 31 and whenever events or changes in circumstances indicated it was more likely than not that the fair value of a reporting unit is less than its carrying amount. For additional information regarding our previous assessments of goodwill for impairment, see “Note 3—Goodwill and Intangible Assets.”

***(o) 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 range from ten to twenty years. In accordance with ASC 350, *Intangibles—Goodwill and Other*, we evaluate intangibles for potential impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. For additional information regarding our intangible assets, including our assessment of intangible assets for impairment, see “Note 3—Goodwill and Intangible Assets.”

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

***(p) Asset Retirement Obligations***

We recognize liabilities for retirement obligations associated with our pipelines and processing and fractionation facilities. Such liabilities are recognized when there is a legal obligation associated with the retirement of the assets and the amount can be reasonably estimated. The initial measurement of an asset retirement obligation is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment. If the fair value of a recorded asset retirement obligation changes, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Our retirement obligations include estimated environmental remediation costs that arise from normal operations and are associated with the retirement of the long-lived assets. The asset retirement cost is depreciated using the straight-line depreciation method similar to that used for the associated property and equipment.

***(q) Leases***

Effective January 1, 2019, we adopted ASC 842 using the modified retrospective approach whereby we recognized leases on our consolidated balance sheet by recording a right-of-use asset and lease liability. We applied certain practical expedients that were allowed in the adoption of ASC 842, including not reassessing existing contracts for lease arrangements, not reassessing existing lease classification, not recording a right-of-use asset or lease liability for leases of twelve months or less, and not separating lease and non-lease components of a lease arrangement.

We evaluate new contracts at inception to determine if the contract conveys the right to control the use of an identified asset for a period of time in exchange for periodic payments. A lease exists if we obtain substantially all of the economic benefits of an asset, and we have the right to direct the use of that asset. When a lease exists, we record a right-of-use asset that represents our right to use the asset over the lease term and a lease liability that represents our obligation to make payments over the lease term. Lease liabilities are recorded at the sum of future lease payments discounted by the collateralized rate we could obtain to lease a similar asset over a similar period, and right-of-use assets are recorded equal to the corresponding lease liability, plus any prepaid or direct costs incurred to enter the lease, less the cost of any incentives received from the lessor. For more information, see “Note 5—Leases.”

***(r) Derivatives***

We use derivative instruments to hedge against changes in cash flows related to product price. We generally determine the fair value of swap contracts based on the difference between the derivative’s fixed contract price and the underlying market price at the determination date. The asset or liability related to the derivative instruments is recorded on the balance sheet at the fair value of derivative assets or liabilities in accordance with ASC 815. Changes in fair value of derivative instruments are recorded in gain or loss on derivative activity in the period of change.

Realized gains and losses on commodity-related derivatives are recorded as gain or loss on derivative activity within revenues in the consolidated statements of operations in the period incurred. Settlements of derivatives are included in cash flows from operating activities.

We periodically enter into interest rate swaps in connection with new debt issuances to hedge variability in interest rates and effectively lock in the benchmark interest rate at the inception of the swap.

In April 2019, we entered into \$850.0 million of interest rate swaps to manage the interest rate risk associated with our floating-rate, LIBOR-based borrowings. Under this arrangement, we paid a fixed interest rate of 2.28% in exchange for LIBOR-based variable interest through December 2021. These interest rate swaps expired on December 10, 2021. There was no ineffectiveness related to this hedge.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

During 2021 and 2020, we terminated the interest rate swaps in several increments in connection with repayments of the Term Loan, which was one of our floating-rate, LIBOR-based borrowings. The following table presents the interest rate swaps terminations and the associated cash payments during 2021 and 2020 (in millions):

	Interest Rate Swaps Terminations	Cash Payments Associated with Interest Rate Swaps Terminations
December 2021	\$ 150.0	\$ —
September 2021	100.0	0.5
May 2021	100.0	1.3
December 2020	500.0	10.9
Total termination of interest rate swaps	<u>\$ 850.0</u>	<u>\$ 12.7</u>

For additional information, see “Note 10—Derivatives.”

**(s) Concentrations of Credit Risk**

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of trade accounts receivable and commodity financial instruments. Management believes the risk is limited, other than our exposure to significant customers discussed below, since our customers represent a broad and diverse group of energy marketers and end users.

The following customers individually represented greater than 10% of our consolidated revenues during 2021, 2020, or 2019. These customers represented a significant percentage of our consolidated revenues, and 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.

	Year Ended December 31,		
	2021	2020	2019
Devon	6.7 %	14.4 %	10.5 %
Dow Hydrocarbons and Resources LLC	14.5 %	13.2 %	10.0 %
Marathon Petroleum Corporation	13.4 %	12.2 %	13.8 %

We continually monitor and review the credit exposure of our counter-parties based on various credit quality indicators and metrics. We obtain letters of credit or other appropriate security when considered necessary to limit the risk of loss. We record reserves for uncollectible accounts on a specific identification basis since there is not a large volume of late paying customers and we do not expect to experience significant levels of default on our trade accounts receivable. As of December 31, 2021 and 2020, we had a reserve for uncollectible receivables of \$0.3 million and \$0.5 million, respectively.

**(t) Environmental Costs**

Environmental expenditures are expensed or capitalized depending on the nature of the expenditures and the future economic benefit. Expenditures that relate to an existing condition caused by past operations that do not contribute to current or future revenue generation are expensed. Liabilities for these expenditures are recorded on an undiscounted basis (or a discounted basis when the obligation can be settled at fixed and determinable amounts) when environmental assessments or clean-ups are probable and the costs can be reasonably estimated. Environmental expenditures were not material for the years ended December 31, 2021, 2020, and 2019.

**(u) Unit-Based Awards**

We recognize compensation cost related to all unit-based awards in our consolidated financial statements in accordance with ASC 718. Unit-based compensation associated with ENLC’s unit-based compensation plan awarded to ENLC’s directors, officers, and employees of our general partner is recorded by us since ENLC has no substantial or managed operating activities other than its interests in us. For additional information, see “Note 9—Employee Incentive Plans.”

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(v) Commitments and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with a loss contingency are expensed as incurred. For additional information, see “Note 12—Commitments and Contingencies.”

**(w) Debt Issuance Costs**

Costs incurred in connection with the issuance of long-term debt are deferred and amortized into interest expense using the straight-line method over the term of the related debt. Gains or losses on debt repurchases, redemptions, and debt extinguishments include any associated unamortized debt issue costs. Unamortized debt issuance costs totaling \$27.8 million and \$32.6 million as of December 31, 2021 and 2020, respectively, are included in “Long-term debt” or “Current maturities of long-term debt,” as applicable, on the consolidated balance sheets as a direct reduction from the carrying amount of the debt.

**(x) Redeemable Non-Controlling Interest**

Non-controlling interests that contain an option for the non-controlling interest holder to require us to purchase such interests for cash are considered to be redeemable non-controlling interests because the redemption feature is not deemed to be a freestanding financial instrument and because the redemption is not solely within our control. Redeemable non-controlling interests are not considered to be a component of partners’ equity and are reported as temporary equity in the mezzanine section on the consolidated balance sheets. The amount recorded as redeemable non-controlling interest at each balance sheet date is the greater of the redemption value and the carrying value of the redeemable non-controlling interest (the initial carrying value increased or decreased for the non-controlling interest holder’s share of net income or loss and distributions). When the redemption feature is exercised the redemption value of the non-controlling interest is reclassified to a liability on the consolidated balance sheets.

During the first quarter of 2020, the non-controlling interest holder in one of our non-wholly owned subsidiaries exercised its option to require us to purchase its remaining interest. We have recorded an estimated \$4.0 million related to the redemption of the non-controlling interest included in “Other current liabilities” on the consolidated balance sheets as of December 31, 2021 and 2020, but we have not yet agreed to a redemption value with the non-controlling interest holder.

**(3) Goodwill and Intangible Assets**

*Goodwill Impairment Analysis for the Year Ended December 31, 2019*

During the fourth quarter of 2019, we performed a quantitative analysis as of October 31, 2019 for our annual goodwill impairment test. Subsequent to October 31, 2019, we determined that due to a significant decline in ENLC’s common unit price and the expected reduction in ENLC’s cash distribution paid to common unitholders, which was announced in January 2020, a change in circumstances had occurred that warranted an additional quantitative impairment test. We recorded a goodwill impairment loss of \$190.3 million in our Oklahoma reporting unit. This amount is included in impairments in the consolidated statement of operations for the year ended December 31, 2019.



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*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 range from 10 to 20 years. The weighted average amortization period for intangible assets is 14.9 years.

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Year Ended December 31, 2021</b>			
Customer relationships, beginning of period	\$ 1,794.2	\$ (668.8)	\$ 1,125.4
Customer relationships obtained from acquisition of business	50.6	—	50.6
Amortization expense	—	(126.3)	(126.3)
Customer relationships, end of period	<u>\$ 1,844.8</u>	<u>\$ (795.1)</u>	<u>\$ 1,049.7</u>
<b>Year Ended December 31, 2020</b>			
Customer relationships, beginning of period	\$ 1,795.8	\$ (545.9)	\$ 1,249.9
Amortization expense	—	(123.5)	(123.5)
Retirements (1)	(1.6)	0.6	(1.0)
Customer relationships, end of period	<u>\$ 1,794.2</u>	<u>\$ (668.8)</u>	<u>\$ 1,125.4</u>
<b>Year Ended December 31, 2019</b>			
Customer relationships, beginning of period	\$ 1,795.8	\$ (422.2)	\$ 1,373.6
Amortization expense	—	(123.7)	(123.7)
Customer relationships, end of period	<u>\$ 1,795.8</u>	<u>\$ (545.9)</u>	<u>\$ 1,249.9</u>

(1) Intangible assets retired as a result of the disposition of certain non-core assets.

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

2022	\$ 127.6
2023	127.6
2024	127.6
2025	110.3
2026	106.4
Thereafter	450.2
Total	<u>\$ 1,049.7</u>



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(4) Related Party Transactions**

***(a) Transactions with Cedar Cove JV***

For the years ended December 31, 2021, 2020, and 2019, we recorded cost of sales of \$17.9 million, \$8.7 million, \$21.7 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 \$1.6 million and \$1.0 million at December 31, 2021 and 2020, respectively.

***(b) Transactions with GIP***

For the years ended December 31, 2021 and 2020, we recorded general and administrative expenses of \$0.5 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 year ended December 31, 2019.

***(c) Transactions with ENLC***

*Transfer of EORV.* In December 2020, we sold our ownership of EORV to ENLC for \$12.0 million. Subsequent to the sale, ENLC converted EORV from a corporation to a limited liability company. EORV, a wholly-owned subsidiary of ENLK, was a corporation that purchased Ohio River Valley assets associated with the acquisition of Clearfield Energy, Inc. and its wholly-owned subsidiaries in 2012. These assets were transferred to EMO in exchange for 198,871 EMO Preferred B Units at \$1,000 each. EORV had a \$170.0 million note payable to the Operating Partnership due 2027. Subsequent to the sale, we presented a \$170.0 million note receivable from EORV in our consolidated balance sheets as of December 31, 2020. In addition, we recorded a \$198.1 million increase in non-controlling interest related to EORV's ownership of the Operating Partnership, which we fully consolidated at December 31, 2020.

*Distributions to EORV.* For the year ended December 31, 2021, we distributed \$16.9 million to EORV for its ownership of the Operating Partnership. Income is allocated to EORV in an amount equal to the earned distribution for the respective reporting period.

*Redemption of EMO Preferred Units.* In December 2021, ENLC redeemed the EMO Preferred B Units. ENLC repaid the \$170.0 million note receivable held by ENLK and we paid ENLC \$198.1 million related to the EMO Preferred B Units, for a net settlement of \$28.1 million.

*Simplification of the Corporate Structure.* On January 25, 2019, we completed the Merger, an internal reorganization pursuant to which ENLC owns all of the outstanding common units of ENLK. See "Note 1—Organization and Nature of Business" for more information on the Merger and related transactions.

*Related Party Debt.* Related party debt includes borrowings under the Consolidated 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 \$500.0 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. Until December 10, 2021, related party debt also included borrowings under the Term Loan. See "Note 6—Long-Term Debt" for more information on this arrangement.

We had accounts receivable balances related to transactions with ENLC of \$42.2 million and \$43.2 million at December 31, 2021 and December 31, 2020, respectively.

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) Leases**

The majority of our leases are for the following types of assets:

- *Office space.* Our primary offices are in Dallas, Houston, and Midland, with smaller offices in other locations near our assets. Our office leases are long-term in nature and represent \$51.8 million of our lease liability and \$27.9 million of our right-of-use asset as of December 31, 2021. Our office leases represented \$57.6 million of our lease liability and \$32.4 million of our right-of-use asset as of December 31, 2020. These office leases typically include variable lease

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

costs related to utility expenses, which are determined based on our pro-rata share of the building expenses each month and expensed as incurred.

- *Compression and other field equipment.* We pay third parties to provide compressors or other field equipment for our assets. Under these agreements, a third party installs and operates compressor units based on specifications set by us to meet our compression needs at specific locations. While the third party determines which compressors to install and operates and maintains the units, we have the right to control the use of the compressors and are the sole economic beneficiary of the identified assets. These agreements are typically for an initial term of one to three years but will automatically renew from month to month until canceled by us or the lessor. Compression and other field equipment rentals represent \$17.7 million of our lease liability and \$19.5 million of our right-of-use asset as of December 31, 2021. Compression and other field equipment rentals represented \$14.6 million of our lease liability and \$14.6 million of our right-of-use asset as of December 31, 2020. Under certain agreements, we may incur variable lease costs related to incidental services provided by the equipment lessor, which are expensed as incurred.
- *Land and land easements.* We make periodic payments to lease land or to have access to our assets. Land leases and easements are typically long-term to match the expected useful life of the corresponding asset and represent \$15.6 million of our lease liability and \$12.6 million of our right-of-use asset as of December 31, 2021. Land and land easement leases represented \$15.1 million of our lease liability and \$12.5 million of our right-of-use asset as of December 31, 2020.
- *Other.* We rent office equipment and other items that represent \$0.1 million of our lease liability and \$0.1 million of our right-of-use asset as of December 31, 2021. Office equipment and other items represented \$0.3 million of our lease liability and \$0.3 million of our right-of-use asset as of December 31, 2020.

Lease balances are recorded on the consolidated balance sheets as follows (in millions):

<b>Operating leases:</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other assets, net	\$ 60.1	\$ 59.8
Other current liabilities	\$ 18.1	\$ 16.3
Other long-term liabilities	\$ 67.1	\$ 71.3

**Other lease information**

Weighted-average remaining lease term—Operating leases	10.3 years	11.1 years
Weighted-average discount rate—Operating leases	4.9 %	5.1 %

Certain of our lease agreements have options to extend the lease for a certain period after the expiration of the initial term. We recognize the cost of a lease over the expected total term of the lease, including optional renewal periods that we can reasonably expect to exercise. We do not have material obligations whereby we guarantee a residual value on assets we lease, nor do our lease agreements impose restrictions or covenants that could affect our ability to make distributions.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

Lease expense is recognized on the consolidated statements of operations as “Operating expenses” and “General and administrative” depending on the nature of the leased asset. Impairments of right-of-use assets are recognized in “Impairments” on the consolidated statements of operations. The components of total lease expense are as follows (in millions):

	Year Ended December 31,		
	2021	2020	2019
Finance lease expense:			
Amortization of right-of-use asset	\$ —	\$ —	\$ 5.2
Interest on lease liability	—	—	0.1
Operating lease expense:			
Long-term operating lease expense	21.7	23.1	28.7
Short-term lease expense	17.5	22.1	32.0
Variable lease expense	15.6	11.8	7.7
Impairments	0.2	6.8	—
Total lease expense	<u>\$ 55.0</u>	<u>\$ 63.8</u>	<u>\$ 68.4</u>

*Impairments*

*Right-of-Use Asset Impairment Analysis for the Year Ended December 31, 2021*

During the fourth quarter of 2021, we entered into a sublease agreement for a portion of our Houston office that will be effective in 2022. We evaluated the related right-of-use asset for impairment by comparing the estimated fair value of the right-of-use asset to its carrying value. The estimated fair value was calculated using a discounted cash flow analysis that utilized Level 3 inputs, which included future cash flows based on the terms of the sublease and a discount rate derived from market data. As the carrying value of the right-of-use asset exceeded the estimated fair value, we have recognized impairment expense of \$0.2 million for the year ended December 31, 2021.

*Right-of-Use Asset Impairment Analysis for the Year Ended December 31, 2020*

During the fourth quarter of 2020, we determined that we would cease using a portion of our Dallas, Houston, and Midland offices. We are attempting to sublease the vacated space; however, as we believe the terms of a sublease would be below our current rental rates, we evaluated the related right-of-use assets for impairment by comparing the estimated fair values of the right-of-use assets to their carrying values. Estimated fair values were calculated using a discounted cash flow analysis that utilized Level 3 inputs, which included estimated future cash flows and a discount rate derived from market data. As the carrying value of each right-of-use asset exceeded its estimated fair value, we recognized impairment expense of \$6.8 million for the year ended December 31, 2020.

*Lease Maturities*

The following table summarizes the maturity of our lease liability as of December 31, 2021 (in millions):

	Total	2022	2023	2024	2025	2026	Thereafter
Undiscounted operating lease liability	\$ 115.6	\$ 21.1	\$ 15.3	\$ 10.1	\$ 9.8	\$ 8.9	\$ 50.4
Reduction due to present value	(30.4)	(3.7)	(3.2)	(2.8)	(2.4)	(2.0)	(16.3)
Operating lease liability	<u>\$ 85.2</u>	<u>\$ 17.4</u>	<u>\$ 12.1</u>	<u>\$ 7.3</u>	<u>\$ 7.4</u>	<u>\$ 6.9</u>	<u>\$ 34.1</u>

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(6) Long-Term Debt**

As of December 31, 2021 and 2020, long-term debt consisted of the following (in millions):

	December 31, 2021			December 31, 2020		
	Outstanding Principal	Premium (Discount)	Long-Term Debt	Outstanding Principal	Premium (Discount)	Long-Term Debt
Related party debt (1)	\$ 1,013.7	\$ —	\$ 1,013.7	\$ 1,348.7	\$ —	\$ 1,348.7
AR Facility due 2024 (2)	350.0	—	350.0	250.0	—	250.0
4.40% Senior unsecured notes due 2024	521.8	0.7	522.5	521.8	1.1	522.9
4.15% Senior unsecured notes due 2025	720.8	(0.4)	720.4	720.8	(0.6)	720.2
4.85% Senior unsecured notes due 2026	491.0	(0.3)	490.7	491.0	(0.4)	490.6
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	(5.5)	444.5	450.0	(5.7)	444.3
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>\$ 4,397.3</u>	<u>\$ (5.8)</u>	4,391.5	<u>\$ 4,632.3</u>	<u>\$ (5.9)</u>	4,626.4
Debt issuance costs (3)			(27.8)			(32.6)
Less: Current maturities of long-term debt, from related parties (1)			—			(349.8)
Long-term debt, net of unamortized issuance cost			<u>\$ 4,363.7</u>			<u>\$ 4,244.0</u>

- (1) The Consolidated Credit Facility bears interest, and the Term Loan bore interest prior to its maturity, based on Prime and/or LIBOR plus an applicable margin. The Term Loan matured on December 10, 2021 and we paid ENLC the remaining balance in full at that time. The outstanding principal balance, net of debt issuance costs, was classified as “Current maturities of long-term debt” on the consolidated balance sheet as of December 31, 2020. The effective interest rate for the Term Loan was 1.7% at December 31, 2020. There was \$15.0 million in outstanding borrowings under the Consolidated Credit Facility as of December 31, 2021 and no outstanding borrowings as of December 31, 2020. The effective interest rate for the Consolidated Credit Facility was 3.9% at December 31, 2021.
- (2) Bears interest based on LMIR and/or LIBOR plus an applicable margin. The effective interest rate was 1.2% and 2.0% at December 31, 2021 and 2020, respectively.
- (3) Net of accumulated amortization of \$18.4 million and \$14.1 million at December 31, 2021 and 2020, respectively.

*Maturities*

Maturities for the long-term debt as of December 31, 2021 are as follows (in millions):

2022	\$ —
2023	—
2024	886.8
2025	720.8
2026	491.0
Thereafter	2,298.7
Subtotal	<u>4,397.3</u>
Less: net discount	(5.8)
Less: debt issuance cost	(27.8)
Long-term debt, net of unamortized issuance cost	<u>\$ 4,363.7</u>

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Related Party Debt*

Related party debt includes borrowings under the Consolidated Credit Facility, the 2028 Notes, and the 2029 Notes. Prior to the Term Loan maturing on December 10, 2021, related party debt also included borrowings under the Term Loan. Interest charged to ENLK for borrowings made through the related party arrangement will be substantially the same as interest charged to ENLC on borrowings under the Consolidated Credit Facility, the 2028 Notes, and the 2029 Notes, respectively. As of December 31, 2021, \$1.0 billion of related party debt is included in “Long-term debt” in the consolidated balance sheet related to these borrowings. As of December 31, 2020, \$998.9 million and \$349.8 million of related party debt is included in “Long-term debt” and “Current maturities of long-term debt, from related parties,” respectively, in the consolidated balance sheet related to these borrowings.

The indebtedness under the Consolidated 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 below affect balances owed by ENLK on the related party debt.

*Term Loan*

On December 11, 2018, ENLK entered into the Term Loan with Bank of America, N.A., as Administrative Agent, Bank of Montreal and Royal Bank of Canada, as Co-Syndication Agents, Citibank, N.A. and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the lenders party thereto. Upon the closing of the Merger, ENLC assumed ENLK’s obligations under the Term Loan, and ENLK became a guarantor of the Term Loan. In December 2020, May 2021, and September 2021, we repaid ENLC \$500.0 million, \$100.0 million, and \$100.0 million, respectively, of the borrowings under the related party debt. We repaid the remaining \$150.0 million to ENLC when the Term Loan matured on December 10, 2021. ENLC repaid an aggregate of \$850.0 million of the borrowings under the Term Loan due December 2021.

*Consolidated Credit Facility*

The Consolidated Credit Facility permits ENLC to borrow up to \$1.75 billion on a revolving credit basis and includes a \$500.0 million letter of credit subfacility. The Consolidated Credit Facility became available for borrowings and letters of credit upon closing of the Merger. In addition, ENLK became a guarantor under the Consolidated Credit Facility upon the closing of the Merger. In the event that ENLC’s obligations under the Consolidated Credit Facility are accelerated due to a default, ENLK will be liable for the entire outstanding balance and 105% of the outstanding letters of credit under the Consolidated Credit Facility. There was \$15.0 million in outstanding borrowings under the Consolidated Credit Facility and \$41.3 million outstanding letters of credit as of December 31, 2021.

The Consolidated Credit Facility will mature on January 25, 2024, unless ENLC requests, and the requisite lenders agree, to extend it pursuant to its terms. The Consolidated Credit Facility contains certain financial, operational, and legal covenants. The financial covenants are tested on a quarterly basis, based on the rolling four-quarter period that ends on the last day of each fiscal quarter. The financial covenants include (i) maintaining a ratio of consolidated EBITDA (as defined in the Consolidated Credit Facility, which term includes projected EBITDA from certain capital expansion projects) to consolidated interest charges of no less than 2.5 to 1.0 at all times prior to the occurrence of an investment grade event (as defined in the Consolidated Credit Facility) and (ii) maintaining a ratio of consolidated indebtedness to consolidated EBITDA of no more than 5.0 to 1.0.

Under the terms of the Consolidated Credit Facility, if we consummate an acquisition in which the aggregate purchase price is \$50.0 million or more, we can elect to increase the maximum allowed ratio of consolidated indebtedness to consolidated EBITDA to 5.5 to 1.0 for the quarter in which the acquisition occurs and the three subsequent quarters. In April 2021, we completed the acquisition of Amarillo Rattler, LLC with an aggregate purchase price in excess of \$50.0 million and elected to increase the maximum allowed ratio of consolidated indebtedness to consolidated EBITDA to 5.5 to 1.0 through the first quarter of 2022.

Borrowings under the Consolidated Credit Facility bear interest at ENLC’s option at the Eurodollar Rate (LIBOR) plus 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 30-day Eurodollar Rate 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 Consolidated Credit Facility, amounts outstanding under the Consolidated Credit Facility, if any, may become due and payable immediately.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

At December 31, 2021, ENLC was in compliance with and expects to be in compliance with the financial covenants of the Consolidated Credit Facility for at least the next twelve months. Accordingly, we do not expect to make payments related to our guarantee of the Consolidated 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 to borrow up to \$250.0 million. In connection with the AR Facility, certain subsidiaries of ENLC sold and contributed, and will continue to sell or contribute, their accounts receivable to the SPV to be held as collateral for borrowings under the AR Facility. The SPV’s assets are not available to satisfy the obligations of ENLC or any of its affiliates.

On February 26, 2021, the SPV entered into the first amendment to the AR Facility that, among other things: (i) increased the AR Facility limit and lender commitments by \$50.0 million to \$300.0 million, (ii) reduced the Adjusted LIBOR and LMIR (each as defined in the AR Facility) minimum floor to zero, rather than the previous 0.375%, and (iii) reduced the effective drawn fee to 1.25% rather than the previous 1.625%.

On September 24, 2021, the SPV entered into the second amendment to the AR Facility that, among other things: (i) increased the AR Facility limit and lender commitments by \$50.0 million to \$350.0 million, (ii) extended the scheduled termination date of the facility from October 20, 2023 to September 24, 2024, and (iii) reduced the effective drawn fee to 1.10% rather than the previous 1.25%.

Since our investment in the SPV is not sufficient to finance its activities without additional support from us, the SPV is a variable interest entity. We are the primary beneficiary of the SPV because we have the power to direct the activities that most significantly affect its economic performance and we are obligated to absorb its losses or receive its benefits from operations. Since we are the primary beneficiary of the SPV, we consolidate its assets and liabilities, which consist primarily of billed and unbilled accounts receivable of \$773.6 million and long-term debt of \$350.0 million as of December 31, 2021.

The amount available for borrowings at any one time under the AR Facility is limited to a borrowing base amount calculated based on the outstanding balance of eligible receivables held as collateral, subject to certain reserves, concentration limits, and other limitations. As of December 31, 2021, the AR Facility had a borrowing base of \$350.0 million. Borrowings under the AR Facility bear interest (based on LIBOR or LMIR (as defined in the AR Facility) or after a benchmark transition event, the applicable SOFR (as defined in the AR Facility) plus a benchmark replacement adjustment) plus a drawn fee in the amount of 1.10% at December 31, 2021. The SPV also pays a fee on the undrawn committed amount of the AR Facility. Interest and fees payable by the SPV under the AR Facility are due monthly.

The AR Facility is scheduled to terminate on September 24, 2024, unless extended or earlier terminated in accordance with its terms, at which time no further advances will be available and the obligations under the AR Facility must be repaid in full by no later than (i) the date that is ninety (90) days following such date or (ii) such earlier date on which the loans under the AR Facility become due and payable.

The AR Facility includes covenants, indemnification provisions, and events of default, including those providing for termination of the AR Facility and the acceleration of amounts owed by the SPV under the AR Facility if, among other things, a borrowing base deficiency exists, there is an event of default under the Consolidated Credit Facility or certain other indebtedness, certain events negatively affecting the overall credit quality of the receivables held as collateral occur, a change of control occurs, or if the consolidated leverage ratio of ENLC exceeds limits identical to those in the Consolidated Credit Facility.

At December 31, 2021, 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.

*Issuances and Redemptions of Senior Unsecured Notes*

On December 14, 2020, ENLC issued the 2028 Notes at a price to the public of 100% of their face value. Interest payments on the 2028 Notes are payable on January 15 and July 15 of each year. The 2028 Notes are fully and unconditionally guaranteed by us. Related party debt includes borrowings under the 2028 Notes. Net proceeds of approximately \$494.7 million were used to repay a portion of the borrowings under the related party debt.

All interest payments for senior unsecured notes are due semi-annually, in arrears.



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Senior Unsecured Notes Redemption Provisions*

Each issuance of the senior unsecured notes may be fully or partially redeemed prior to an early redemption date (see “Early Redemption Date” in table below) at a redemption price equal to the greater of: (i) 100% of the principal amount of the notes to be redeemed; or (ii) the sum of the remaining scheduled payments of principal and interest on the respective notes to be redeemed that would be due after the related redemption date but for such redemption (exclusive of interest accrued to, but excluding the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus a specified basis point premium (see “Basis Point Premium” in the table below); plus accrued and unpaid interest to, but excluding, the redemption date. At any time on or after the Early Redemption Date, the senior unsecured notes may be fully or partially redeemed at a redemption price equal to 100% of the principal amount of the applicable notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. See applicable redemption provision terms below:

<b>Issuance</b>	<b>Maturity Date of Notes</b>	<b>Early Redemption Date</b>	<b>Basis Point Premium</b>
2024 Notes	April 1, 2024	Prior to January 1, 2024	25 Basis Points
2025 Notes	June 1, 2025	Prior to March 1, 2025	30 Basis Points
2026 Notes	July 15, 2026	Prior to April 15, 2026	50 Basis Points
2028 Notes	January 15, 2028	Prior to July 15, 2027	50 Basis Points
2029 Notes	June 1, 2029	Prior to March 1, 2029	50 Basis Points
2044 Notes	April 1, 2044	Prior to October 1, 2043	30 Basis Points
2045 Notes	April 1, 2045	Prior to October 1, 2044	30 Basis Points
2047 Notes	June 1, 2047	Prior to December 1, 2046	40 Basis Points

*Senior Unsecured Notes Indentures*

The indentures governing the senior unsecured notes contain covenants that, among other things, limit ENLC’s and ENLK’s ability to create or incur certain liens or consolidate, merge, or transfer all or substantially all of ENLC’s and ENLK’s assets.

The indenture governing the 2028 Notes provides that if a Change of Control Triggering Event (as defined in the indenture) occurs, ENLC must offer to repurchase the 2028 Notes at a price equal to 101% of the principal amount of the 2028 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase.

Each of the following is an event of default under the indentures:

- failure to pay any principal or interest when due;
- failure to observe any other agreement, obligation, or other covenant in the indenture, subject to the cure periods for certain failures; and
- bankruptcy or other insolvency events involving ENLC and ENLK.

If an event of default relating to bankruptcy or other insolvency events occurs, the senior unsecured notes will immediately become due and payable. If any other event of default exists under the indenture, the trustee under the indenture or the holders of the senior unsecured notes may accelerate the maturity of the senior unsecured notes and exercise other rights and remedies. At December 31, 2021, ENLC and ENLK were in compliance and expect to be in compliance with the covenants in the senior unsecured notes for at least the next twelve months.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

*Senior Unsecured Notes Repurchases*

For the year ended December 31, 2020, we and ENLC made aggregate payments to partially repurchase the 2024, 2025, 2026, and 2029 Notes in open market transactions. For the year ended December 31, 2021, we and ENLC did not repurchase any senior notes. Activity related to the 2020 partial repurchases of our outstanding debt consisted of the following (in millions):

	Year Ended December 31, 2020
Debt repurchased	\$ 67.7
Aggregate payments	(36.0)
Net discount on repurchased debt	(0.3)
Accrued interest on repurchased debt	0.6
Gain on extinguishment of debt	<u>\$ 32.0</u>

**(7) Partners' Capital**

***(a) Series B Preferred Units***

*Issuance and Ownership*

In January 2016, we issued an aggregate of 50,000,000 Series B Preferred Units representing our limited partner interests to Enfield in a private placement for a cash purchase price of \$15.00 per Series B Preferred Unit (the "Issue Price"). On August 4, 2021, Enfield Holdings, L.P. ("Enfield") sold all of its Series B Preferred Units and ENLC Class C Common Units representing limited liability company interests in ENLC to Brookfield Infrastructure Partners L.P. and funds managed by Oaktree Capital Management, L.P.

*Redemption*

In December 2021, we redeemed 3,300,330 Series B Preferred Units for total consideration of \$50.0 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.

*Conversion and Distributions*

Series B Preferred Units are exchangeable for ENLC common units in an amount equal to the number of outstanding Series B Preferred Units outstanding multiplied by the exchange ratio of 1.15, subject to certain adjustments (the "Series B Exchange Ratio"). The exchange is subject to ENLC's option to pay cash instead of issuing additional ENLC common units, and can occur in whole or in part at the option of the holder of the Series B Preferred Units at any time, or in whole at our option, provided the daily volume-weighted average closing price of the ENLC common units for the 30 trading days ending two trading days prior to the exchange is greater than 150% of the Issue Price divided by the conversion ratio of 1.15.

The holder of the Series B Preferred Units is entitled to quarterly cash distributions and distributions in-kind of additional Series B Preferred Units. The quarterly in-kind distribution (the "Series B PIK Distribution") equals the greater of (A) 0.0025 Series B Preferred Units per Series B Preferred Unit and (B) the number of Series B Preferred Units equal to the quotient of (x) the excess (if any) of (1) the distribution that would have been payable by ENLC had the Series B Preferred Units been exchanged for ENLC common units but applying a one-to-one exchange ratio (subject to certain adjustments) instead of the Series B Exchange Ratio, over (2) \$0.28125 per Series B Preferred Unit (the "Cash Distribution Component"), divided by (y) the Issue Price. Except as described above with respect to distributions made until the distribution declared for the fourth quarter of 2022, the quarterly cash distribution (the "Series B Cash Distribution") consists of the Cash Distribution Component plus an amount in cash that will be determined based on a comparison of the value (applying the Issue Price) of (i) the Series B PIK Distribution and (ii) the Series B Preferred Units that would have been distributed in the Series B PIK Distribution if such calculation applied the Series B Exchange Ratio instead of the one-to-one ratio (subject to certain adjustments).



**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

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 for the years ended December 31, 2021, 2020, and 2019 is provided below:

Declaration period	Distribution paid as additional Series B Preferred Units	Cash distribution (in millions)	Date paid/payable
<b><u>2021</u></b>			
First Quarter of 2021	150,871	\$ 17.0	May 14, 2021
Second Quarter of 2021	151,248	\$ 17.0	August 13, 2021
Third Quarter of 2021	151,626	\$ 17.1	November 12, 2021
Fourth Quarter of 2021	—	\$ 19.2	February 11, 2022 (1)
<b><u>2020</u></b>			
First Quarter of 2020	149,371	\$ 16.8	May 13, 2020
Second Quarter of 2020	149,745	\$ 16.8	August 13, 2020
Third Quarter of 2020	150,119	\$ 16.9	November 13, 2020
Fourth Quarter of 2020	150,494	\$ 16.9	February 12, 2021
<b><u>2019</u></b>			
First Quarter of 2019	147,887	\$ 16.7	May 14, 2019
Second Quarter of 2019	148,257	\$ 17.1	August 13, 2019
Third Quarter of 2019	148,627	\$ 17.1	November 13, 2019
Fourth Quarter of 2019	148,999	\$ 16.8	February 13, 2020

(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. The remaining distribution of \$17.3 million related to the fourth quarter of 2021 will be payable February 11, 2022. See “Note 16—Subsequent Event” for more information regarding the January 2022 Series B Preferred Unit redemption.

***(c) Series C Preferred Units***

In September 2017, we issued 400,000 Series C Preferred Units representing our limited partner interests at a price to the public of \$1,000 per unit. The Series C Preferred Units represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As to the payment of distributions and amounts payable on a liquidation event, the Series C Preferred Units rank senior to our common units and to each other class of limited partner interests or other equity securities established after the issue date of the Series C Preferred Units that is not expressly made senior or on parity with the Series C Preferred Units. The Series C Preferred Units rank junior to the Series B Preferred Units with respect to the payment of distributions, and junior to the Series B Preferred Units and all current and future indebtedness with respect to amounts payable upon a liquidation event.

At any time on or after December 15, 2022, we may redeem, at our option, in whole or in part, the Series C Preferred Units at a redemption price in cash equal to \$1,000 per Series C Preferred Unit plus an amount equal to all accumulated and unpaid distributions, whether or not declared. We may undertake multiple partial redemptions. In addition, at any time within 120 days after the conclusion of any review or appeal process instituted by us following certain rating agency events, we may redeem, at our option, the Series C Preferred Units in whole at a redemption price in cash per unit equal to \$1,020 plus an amount equal to all accumulated and unpaid distributions, whether or not declared.

Distributions on the Series C Preferred Units accrue and are cumulative from the date of original issue and payable semi-annually in arrears on the 15th day of June and December of each year through and including December 15, 2022 and, thereafter, quarterly in arrears on the 15th day of March, June, September, and December of each year, in each case, if and when declared by our general partner out of legally available funds for such purpose. The initial distribution rate for the Series C Preferred Units from and including the date of original issue to, but not including, December 15, 2022 is 6.0% per annum. On and after December 15, 2022, distributions on the Series C Preferred Units will accumulate for each distribution period at a

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

percentage of the \$1,000 liquidation preference per unit equal to an annual floating rate of the three-month LIBOR plus a spread of 4.11%. Income is allocated to the Series C Preferred Units in an amount equal to the earned distribution for the respective reporting period.

**(d) Common Unit Distributions**

Following the Merger, we distributed \$186.8 million, \$232.7 million, and \$527.6 million to ENLC related to its ownership of our common units for the years ended December 31, 2021, 2020, and 2019, respectively.

**(8) Investment in Unconsolidated Affiliates**

As of December 31, 2021, our unconsolidated investments consisted of a 38.75% ownership in GCF and a 30% ownership in the Cedar Cove JV. The following table shows the activity related to our investment in unconsolidated affiliates for the periods indicated (in millions):

	Year Ended December 31,		
	2021	2020	2019
<b>GCF</b>			
Distributions	\$ 3.5	\$ 1.6	\$ 19.2
Equity in income (loss)	\$ (9.1)	\$ 3.0	\$ 16.5
<b>Cedar Cove JV</b>			
Distributions	\$ 0.4	\$ 0.5	\$ 1.0
Equity in loss (1)	\$ (2.4)	\$ (2.4)	\$ (33.3)
<b>Total</b>			
Distributions	\$ 3.9	\$ 2.1	\$ 20.2
Equity in income (loss) (1)	\$ (11.5)	\$ 0.6	\$ (16.8)

- (1) Includes a loss of \$31.4 million for the year ended December 31, 2019 related to the impairment of the carrying value of the Cedar Cove JV, as we determined that the carrying value of our investment was not recoverable based on the forecasted cash flows from the Cedar Cove JV.

The following table shows the balances related to our investment in unconsolidated affiliates as of December 31, 2021 and 2020 (in millions):

	December 31, 2021	December 31, 2020
GCF	\$ 28.0	\$ 40.6
Cedar Cove JV (1)	(1.8)	1.0
Total investment in unconsolidated affiliates	<u>\$ 26.2</u>	<u>\$ 41.6</u>

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

**(9) 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. Unit-based compensation associated with ENLC’s unit-based compensation plan awarded to ENLC’s directors,

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

officers, and employees of our general partner is recorded by us since ENLC has no substantial or managed operating activities other than its interests in us.

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

	Year Ended December 31,		
	2021	2020	2019
Cost of unit-based compensation charged to general and administrative expense	\$ 18.7	\$ 21.3	\$ 32.5
Cost of unit-based compensation charged to operating expense	6.6	7.1	6.7
Total unit-based compensation expense	<u>\$ 25.3</u>	<u>\$ 28.4</u>	<u>\$ 39.2</u>

**(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 year ended December 31, 2021 is provided below:

ENLC Restricted Incentive Units:	Year Ended December 31, 2021	
	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	5,350,086	\$ 8.45
Granted (1)	3,937,301	3.86
Vested (1)(2)	(1,268,801)	12.85
Forfeited	(511,115)	6.10
Non-vested, end of period	<u>7,507,471</u>	<u>\$ 5.46</u>
Aggregate intrinsic value, end of period (in millions)	<u>\$ 51.7</u>	

(1) Restricted incentive units typically vest at the end of three years.

(2) Vested units included 382,343 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 years ended December 31, 2021, 2020, and 2019 is provided below (in millions):

ENLC Restricted Incentive Units:	Year Ended December 31,		
	2021	2020	2019
Aggregate intrinsic value of units vested	\$ 5.6	\$ 12.1	\$ 17.3
Fair value of units vested	\$ 16.3	\$ 31.5	\$ 22.8

As of December 31, 2021, there were \$13.0 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 1.6 years.

For restricted incentive unit awards granted to certain officers and employees (the "grantee"), such awards (the "Subject Grants") generally provide that, subject to the satisfaction of the conditions set forth in the agreement, the Subject Grants will vest on the third anniversary of the vesting commencement date (the "Regular Vesting Date"). The Subject Grants will be forfeited if the grantee's employment or service with ENLC and its affiliates terminates prior to the Regular Vesting Date except that the Subject Grants will vest in full or on a pro-rated basis for certain terminations of employment or service prior to the Regular Vesting Date. For instance, the Subject Grants will vest on a pro-rated basis for any terminations of the grantee's employment: (i) due to retirement, (ii) by ENLC or its affiliates without cause, or (iii) by the grantee for good reason (each, a "Covered Termination" and more particularly defined in the Subject Grants agreement) except that the Subject Grants will vest in full if the applicable Covered Termination is a "normal retirement" (as defined in the Subject Grants agreement) or the applicable Covered Termination occurs after a change of control (if any). The Subject Grants will vest in full if death or a qualifying disability occurs prior to the Regular Vesting Date.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

***(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 zero to 200% of the units granted depending on the extent to which the related performance goals are achieved over the relevant performance period.

***Performance Unit Awards Vesting***

The vesting of performance units is dependent on (a) the grantee's continued employment or service with ENLC or its affiliates for all relevant periods and (b) the TSR performance of ENLC (the "ENLC TSR") and a performance goal based on cash flow ("Cash Flow"). At the time of grant, the Board of Directors of the managing member of ENLC (the "Manager Board") will determine the relative weighting of the two performance goals by including in the award agreement the number of units that will be eligible for vesting depending on the achievement of the TSR performance goals (the "Total TSR Units") versus the achievement of the Cash Flow performance goals (the "Total CF Units"). These performance awards have four separate performance periods: (i) three performance periods are each of the first, second, and third calendar years that occur following the vesting commencement date of the performance awards and (ii) the fourth performance period is the cumulative three-year period from the vesting commencement date through the third anniversary thereof (the "Cumulative Performance Period").

One-fourth of the Total TSR Units (the "Tranche TSR Units") relates to each of the four performance periods described above. Following the end date of a given performance period, the Governance and Compensation Committee (the "Manager Committee") of the Manager Board will measure and determine the ENLC TSR relative to the TSR performance of a designated group of peer companies (the "Designated Peer Companies") to determine the Tranche TSR Units that are eligible to vest, subject to the grantee's continued employment or service with ENLC or its affiliates through the end date of the Cumulative Performance Period. In short, the TSR for a given performance period is defined as (i)(A) the average closing price of a common equity security at the end of the relevant performance period minus (B) the average closing price of a common equity security at the beginning of the relevant performance period plus (C) reinvested dividends divided by (ii) the average closing price of a common equity security at the beginning of the relevant performance period.

The following table sets out the levels at which the Tranche TSR Units may vest (using linear interpolation) based on the ENLC TSR percentile ranking for the applicable performance period relative to the TSR achievement of the Designated Peer Companies:

Performance Level	Achieved ENLC TSR Position Relative to Designated Peer Companies	Vesting percentage of the Tranche TSR Units
Below Threshold	Less than 25%	0%
Threshold	Equal to 25%	50%
Target	Equal to 50%	100%
Maximum	Greater than or Equal to 75%	200%

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

Approximately one-third of the Total CF Units (the “Tranche CF Units”) relates to each of the first three performance periods described above (i.e., the Cash Flow performance goal does not relate to the Cumulative Performance Period). The Manager Board will establish the Cash Flow performance targets for purposes of the column in the table below titled “ENLC’s Achieved Cash Flow” for each performance period no later than March 31 of the year in which the relevant performance period begins. Following the end date of a given performance period, the Manager Committee will measure and determine the Cash Flow performance of ENLC to determine the Tranche CF Units that are eligible to vest, subject to the grantee’s continued employment or service with ENLC or its affiliates through the end of the Cumulative Performance Period. In short, the Performance-Based Award Agreement defines Cash Flow for a given performance period as (A)(i) ENLC’s adjusted EBITDA minus (ii) interest expense, current taxes and other, maintenance capital expenditures, and preferred unit accrued distributions divided by (B) the time-weighted average number of ENLC’s common units outstanding during the relevant performance period.

In 2021, the Board adopted the metric free cash flow after distributions (“FCFAD”) as the cash flow performance goal in the Performance-Based Award Agreement rather than the previously used distributable cash flow per unit. The following table sets out the levels at which the Tranche CF Units were eligible to vest (using linear interpolation) based on the FCFAD performance of ENLC for the performance period ending December 31, 2021:

Performance Level	ENLC’s Achieved FCFAD	Vesting percentage of the Tranche CF Units
Below Threshold	Less than \$205 million	0%
Threshold	Equal to \$205 million	50%
Target	Equal to \$256 million	100%
Maximum	Greater than or Equal to \$300 million	200%

The following table sets out the levels at which the Tranche CF Units were eligible to vest (using linear interpolation) based on the cash flow performance of ENLC for the performance period ending December 31, 2020:

Performance Level	ENLC’s Achieved Distributable Cash Flow per Unit	Vesting percentage of the Tranche CF Units
Below Threshold	Less than \$1.345	0%
Threshold	Equal to \$1.345	50%
Target	Equal to \$1.494	100%
Maximum	Greater than or Equal to \$1.643	200%

The following table sets out the levels at which the Tranche CF Units were eligible to vest (using linear interpolation) based on the cash flow performance of ENLC for the performance period ending December 31, 2019:

Performance Level	ENLC’s Achieved Distributable Cash Flow per Unit	Vesting percentage of the Tranche CF Units
Below Threshold	Less than \$1.43	0%
Threshold	Equal to \$1.43	50%
Target	Equal to \$1.55	100%
Maximum	Greater than or Equal to \$1.72	200%

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

The fair value of each performance unit is estimated as of the date of grant using a Monte Carlo simulation with the following assumptions used for all performance unit grants made under the plan: (i) a risk-free interest rate based on United States Treasury rates as of the grant date; (ii) a volatility assumption based on the historical realized price volatility of ENLC's common units and the Designated Peer Companies' or Peer Companies' securities as applicable; (iii) an estimated ranking of ENLC (or for outstanding performance units granted prior to the Merger, ENLC and ENLK) among the Designated Peer Companies or Peer Companies, and (iv) the distribution yield. The fair value of the performance unit on the date of grant is expensed over a vesting period of approximately three years.

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

ENLC Performance Units:	January 2021	July 2020	March 2020	January 2020	October 2019	June 2019	March 2019
Grant-date fair value	\$ 4.70	\$ 2.33	\$ 1.13	\$ 7.69	\$ 7.29	\$ 9.92	\$ 13.10
Beginning TSR price	\$ 3.71	\$ 2.52	\$ 1.25	\$ 6.13	\$ 7.42	\$ 9.84	\$ 10.92
Risk-free interest rate	0.17 %	0.17 %	0.42 %	1.62 %	1.44 %	1.72 %	2.42 %
Volatility factor	71.00 %	67.00 %	51.00 %	37.00 %	35.00 %	33.50 %	33.86 %

The following table presents a summary of the performance units:

ENLC Performance Units:	Year Ended December 31, 2021	
	Number of Units	Weighted Average Grant-Date Fair Value
Non-vested, beginning of period	2,351,241	\$ 8.82
Granted	1,388,139	4.70
Vested (1)	(164,553)	26.73
Non-vested, end of period	3,574,827	\$ 6.40
Aggregate intrinsic value, end of period (in millions)	\$ 24.6	

(1) Vested units included 63,901 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 years ended December 31, 2021, 2020, and 2019 is provided below (in millions).

ENLC Performance Units:	Year Ended December 31,		
	2021	2020	2019
Aggregate intrinsic value of units vested	\$ 0.6	\$ 0.9	\$ 3.4
Fair value of units vested	\$ 4.4	\$ 5.5	\$ 7.9

As of December 31, 2021, there were \$10.4 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 1.6 years.

**(d) Benefit Plan**

ENLK maintains a tax-qualified 401(k) plan whereby it matches 100% of every dollar contributed up to 6% of an employee's eligible compensation. Contributions of \$7.0 million, \$7.2 million, and \$9.4 million were made to the plan for the years ended December 31, 2021, 2020, and 2019, respectively.

**(10) Derivatives**

**Interest Rate Swaps**

In April 2019, we entered into \$850.0 million of interest rate swaps with ENLC, which mirrored the terms of ENLC's interest rate swap with a third party, to manage the interest rate risk associated with our floating-rate, LIBOR-based borrowings.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

Under this arrangement, we paid a fixed interest rate of 2.28% in exchange for LIBOR-based variable interest through December 2021. These interest rate swaps expired on December 10, 2021. There was no ineffectiveness related to this hedge.

During 2021 and 2020, we terminated the interest rate swaps in several increments in connection with repayments of the Term Loan, which was one of our floating-rate, LIBOR-based borrowings. The following table presents the interest rate swaps terminations and the associated cash payments during 2021 and 2020 (in millions):

	Interest Rate Swaps Terminations	Cash Payments Associated with Interest Rate Swaps Terminations
December 2021	\$ 150.0	\$ —
September 2021	100.0	0.5
May 2021	100.0	1.3
December 2020	500.0	10.9
Total termination of interest rate swaps	<u>\$ 850.0</u>	<u>\$ 12.7</u>

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

	Year Ended December 31,		
	2021	2020	2019
Unrealized gain (loss) on designated cash flow hedge	\$ 18.2	\$ (5.6)	\$ (12.4)

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):

	Year Ended December 31,		
	2021	2020	2019
Interest expense	\$ 18.3	\$ 14.5	\$ 0.4

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

The fair value of our interest rate swaps included in our consolidated balance sheets were as follows (in millions):

	December 31, 2021	December 31, 2020
Fair value of derivative liabilities—current	\$ —	\$ (7.6)

### **Commodity Swaps**

We manage our exposure to changes in commodity prices by hedging the impact of market fluctuations. Commodity swaps are used both to manage and hedge price and location risk related to these market exposures and to manage margins on offsetting fixed-price purchase or sale commitments for physical quantities of crude, condensate, natural gas, and NGLs. We do not designate commodity swaps as cash flow or fair value hedges for hedge accounting treatment under ASC 815. Therefore, changes in the fair value of our derivatives are recorded in revenue in the period incurred. In addition, our commodity risk management policy does not allow us to take speculative positions with our derivative contracts.

We commonly enter into index (float-for-float) or fixed-for-float swaps in order to mitigate our cash flow exposure to fluctuations in the future prices of natural gas, NGLs, and crude oil. For natural gas, index swaps are used to protect against the price exposure of daily priced gas versus first-of-month priced gas. For condensate, crude oil, and natural gas, index swaps are also used to hedge the basis location price risk resulting from supply and markets being priced on different indices. For natural gas, NGLs, condensate, and crude oil, fixed-for-float swaps are used to protect cash flows against price fluctuations: (1) where we receive a percentage of liquids as a fee for processing third-party gas or where we receive a portion of the proceeds of the sales of natural gas and liquids as a fee, (2) in the natural gas processing and fractionation components of our business and (3) where we are mitigating the price risk for product held in inventory or storage.



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**Notes to Consolidated Financial Statements (continued)**

Assets and liabilities related to our derivative contracts are included in the fair value of derivative assets and liabilities, and the change in fair value of these contracts is recorded net as a gain (loss) on derivative activity on the consolidated statements of operations. We estimate the fair value of all of our derivative contracts based upon actively-quoted prices of the underlying commodities.

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

	Year Ended December 31,		
	2021	2020	2019
Change in fair value of derivatives	\$ (12.4)	\$ (10.5)	\$ (0.1)
Realized gain (loss) on derivatives	(146.7)	(11.5)	14.5
Gain (loss) on derivative activity	<u>\$ (159.1)</u>	<u>\$ (22.0)</u>	<u>\$ 14.4</u>

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

	December 31, 2021	December 31, 2020
Fair value of derivative assets—current	\$ 22.4	\$ 25.0
Fair value of derivative assets—long-term	0.2	4.9
Fair value of derivative liabilities—current	(34.9)	(29.5)
Fair value of derivative liabilities—long-term	(2.2)	(2.5)
Net fair value of commodity swaps	<u>\$ (14.5)</u>	<u>\$ (2.1)</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 December 31, 2021 (in millions). The remaining term of the contracts extend no later than January 2023.

Commodity	Instruments	Unit	December 31, 2021	
			Volume	Net Fair Value
NGL (short contracts)	Swaps	Gals	(63.0)	\$ (10.6)
NGL (long contracts)	Swaps	Gals	—	—
Natural gas (short contracts)	Swaps	MMbtu	(7.5)	2.7
Natural gas (long contracts)	Swaps	MMbtu	13.2	(7.8)
Crude and condensate (short contracts)	Swaps	MMbbls	(3.9)	(4.4)
Crude and condensate (long contracts)	Swaps	MMbbls	3.9	5.6
Total fair value of commodity swaps				<u>\$ (14.5)</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 \$22.6 million as of December 31, 2021 would be reduced to \$0.8 million due to the offsetting of gross fair value payables against gross fair value receivables as allowed by the ISDAs.

### (11) Fair Value Measurements

ASC 820 sets forth a framework for measuring fair value and required disclosures about fair value measurements of assets and liabilities. Fair value under ASC 820 is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, use of unobservable prices or inputs are used to estimate the current fair value, often using an internal



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**Notes to Consolidated Financial Statements (continued)**

valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued.

ASC 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our derivative contracts primarily consist of commodity swap contracts, which are not traded on a public exchange. The fair values of commodity swap contracts are determined using discounted cash flow techniques. The techniques incorporate Level 1 and Level 2 inputs for future commodity prices that are readily available in public markets or can be derived from information available in publicly-quoted markets. These market inputs are utilized in the discounted cash flow calculation considering the instrument's term, notional amount, discount rate, and credit risk and are classified as Level 2 in hierarchy.

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

	Level 2	
	December 31, 2021	December 31, 2020
Interest rate swaps (1)	\$ —	\$ (7.6)
Commodity swaps (2)	\$ (14.5)	\$ (2.1)

- (1) The fair values of the interest rate swaps are estimated based on the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows using observable benchmarks for the variable interest rates.
- (2) 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):

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt (1)	\$ 4,363.7	\$ 4,520.0	\$ 4,593.8	\$ 4,318.2
Installment payable (2)	\$ 10.0	\$ 10.0	\$ —	\$ —
Contingent consideration (2)	\$ 6.9	\$ 6.9	\$ —	\$ —

- (1) The carrying value of long-term debt as of December 31, 2020 includes current maturities. The carrying value of the long-term debt is reduced by debt issuance costs of \$27.8 million and \$32.6 million at December 31, 2021 and 2020, respectively. The respective fair values do not factor in debt issuance costs.
- (2) Consideration paid for the acquisition of Amarillo Rattler, LLC included \$10.0 million to be paid on April 30, 2022 and a contingent consideration capped at \$15.0 million and payable between 2024 and 2026 based on Diamondback Energy's drilling activity above historical levels. Estimated fair values were calculated using a discounted cash flow analysis that utilized Level 3 inputs. For additional information regarding this transaction, refer to "Note 2—Significant Accounting Policies."

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 December 31, 2021 and 2020 were based on Level 2 inputs from third-party market quotations.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(12) Commitments and Contingencies**

***(a) Change of Control and Severance Agreements***

Certain members of our management are parties to severance and change of control agreements with the Operating Partnership. The severance and change in control agreements provide those individuals with severance payments in certain circumstances and prohibit such individuals from, among other things, competing with our general partner or its affiliates during his or her employment. In addition, the severance and change of control agreements prohibit subject individuals from, among other things, disclosing confidential information about our general partner or interfering with a client or customer of our general partner or its affiliates, in each case during his or her employment and for certain periods (including indefinite periods) following the termination of such person's employment.

***(b) Environmental Issues***

The operation of pipelines, plants, and other facilities for the gathering, processing, transmitting, stabilizing, fractionating, storing, or disposing of natural gas, NGLs, crude oil, condensate, brine, and other products is subject to stringent and complex laws and regulations pertaining to health, safety, and the environment. As an owner, partner, or operator of these facilities, we must comply with United States laws and regulations at the federal, state, and local levels that relate to air and water quality, hazardous and solid waste management and disposal, oil spill prevention, climate change, endangered species, and other environmental matters. The cost of planning, designing, constructing, and operating pipelines, plants, and other facilities must account for compliance with environmental laws and regulations and safety standards. Federal, state, or local administrative decisions, developments in the federal or state court systems, or other governmental or judicial actions may influence the interpretation and enforcement of environmental laws and regulations and may thereby increase compliance costs. Failure to comply with these laws and regulations may trigger a variety of administrative, civil, and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of injunctions or restrictions on operation. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our results of operations, financial condition, or cash flows. However, we cannot provide assurance that future events, such as changes in existing laws, regulations, or enforcement policies, the promulgation of new laws or regulations, or the discovery or development of new factual circumstances will not cause us to incur material costs. Environmental regulations have historically become more stringent over time, and thus, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation.

***(c) Litigation 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, 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,

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**Notes to Consolidated Financial Statements (continued)**

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.

**(13) Segment Information**

Starting in the first quarter of 2021, we began evaluating 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. Commodity swaps activity was previously reported in the Corporate segment. We have recast segment information for all presented periods prior to the first quarter of 2021 to conform to current period presentation. 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, our ownership interest in GCF in South Texas, and our general corporate assets and expenses.

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**Notes to Consolidated Financial Statements (continued)**

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. See “Item 1. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for additional information. Summarized financial information for our reportable segments is shown in the following tables (in millions):

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
<b>Year Ended December 31, 2021</b>						
Natural gas sales	\$ 609.4	\$ 693.5	\$ 213.4	\$ 150.0	\$ —	\$ 1,666.3
NGL sales	0.9	3,353.1	2.0	1.1	—	3,357.1
Crude oil and condensate sales	677.4	212.0	81.2	—	—	970.6
Product sales	1,287.7	4,258.6	296.6	151.1	—	5,994.0
NGL sales—related parties	1,008.4	129.7	630.8	447.0	(2,215.9)	—
Crude oil and condensate sales—related parties	—	—	0.1	7.1	(7.2)	—
Product sales—related parties	1,008.4	129.7	630.9	454.1	(2,223.1)	—
Gathering and transportation	46.8	64.7	186.9	157.0	—	455.4
Processing	29.1	2.4	98.7	108.3	—	238.5
NGL services	—	82.6	—	0.3	—	82.9
Crude services	18.4	39.3	12.8	0.7	—	71.2
Other services	0.2	1.7	0.6	0.5	—	3.0
Midstream services	94.5	190.7	299.0	266.8	—	851.0
Crude services—related parties	—	—	0.3	—	(0.3)	—
Other services—related parties	—	2.4	—	—	(2.4)	—
Midstream services—related parties	—	2.4	0.3	—	(2.7)	—
Revenue from contracts with customers	2,390.6	4,581.4	1,226.8	872.0	(2,225.8)	6,845.0
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(1,996.1)	(4,091.2)	(796.6)	(531.8)	2,225.8	(5,189.9)
Realized loss on derivatives	(75.6)	(42.3)	(22.6)	(6.2)	—	(146.7)
Change in fair value of derivatives	(7.7)	0.7	—	(5.4)	—	(12.4)
Adjusted gross margin	311.2	448.6	407.6	328.6	—	1,496.0
Operating expenses	(81.5)	(123.7)	(80.0)	(77.7)	—	(362.9)
Segment profit	229.7	324.9	327.6	250.9	—	1,133.1
Depreciation and amortization	(139.9)	(141.0)	(204.3)	(114.3)	(8.0)	(607.5)
Impairments	—	(0.6)	—	—	(0.2)	(0.8)
Gain on disposition of assets	—	1.2	—	0.3	—	1.5
General and administrative	—	—	—	—	(107.5)	(107.5)
Interest expense, net of interest income	—	—	—	—	(225.6)	(225.6)
Loss from unconsolidated affiliates	—	—	—	—	(11.5)	(11.5)
Other income	—	—	—	—	0.2	0.2
Income (loss) before non-controlling interest and income taxes	\$ 89.8	\$ 184.5	\$ 123.3	\$ 136.9	\$ (352.6)	\$ 181.9
Capital expenditures	\$ 141.6	\$ 9.3	\$ 30.4	\$ 11.9	\$ 2.8	\$ 196.0

(1) Includes related party cost of sales of \$17.9 million for the year ended December 31, 2021.

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	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
<b>Year Ended December 31, 2020</b>						
Natural gas sales	\$ 150.1	\$ 330.5	\$ 153.1	\$ 70.3	\$ —	\$ 704.0
NGL sales	0.2	1,545.4	2.8	—	—	1,548.4
Crude oil and condensate sales	558.1	126.7	40.3	—	—	725.1
Product sales	708.4	2,002.6	196.2	70.3	—	2,977.5
NGL sales—related parties	312.6	31.4	296.4	115.2	(755.6)	—
Crude oil and condensate sales—related parties	0.6	—	(0.1)	3.6	(4.1)	—
Product sales—related parties	313.2	31.4	296.3	118.8	(759.7)	—
Gathering and transportation	42.8	46.5	228.7	179.2	—	497.2
Processing	24.1	2.0	123.6	132.6	—	282.3
NGL services	—	75.8	—	0.2	—	76.0
Crude services	16.8	45.2	16.5	0.2	—	78.7
Other services	1.2	1.6	0.4	0.9	—	4.1
Midstream services	84.9	171.1	369.2	313.1	—	938.3
Crude services—related parties	—	—	0.3	—	(0.3)	—
Midstream services—related parties	—	—	0.3	—	(0.3)	—
Revenue from contracts with customers	1,106.5	2,205.1	862.0	502.2	(760.0)	3,915.8
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(842.2)	(1,787.0)	(365.5)	(153.8)	760.0	(2,388.5)
Realized loss on derivatives	(1.1)	(6.0)	(4.4)	—	—	(11.5)
Change in fair value of derivatives	1.1	(6.5)	(4.5)	(0.6)	—	(10.5)
Adjusted gross margin	264.3	405.6	487.6	347.8	—	1,505.3
Operating expenses	(94.2)	(120.0)	(82.2)	(77.4)	—	(373.8)
Segment profit	170.1	285.6	405.4	270.4	—	1,131.5
Depreciation and amortization	(125.2)	(145.8)	(216.9)	(143.4)	(7.3)	(638.6)
Impairments	—	(170.0)	(0.7)	—	(7.5)	(178.2)
Gain (loss) on disposition of assets	(11.2)	0.1	0.3	2.0	—	(8.8)
General and administrative	—	—	—	—	(103.4)	(103.4)
Interest expense, net of interest income	—	—	—	—	(223.3)	(223.3)
Gain on extinguishment of debt	—	—	—	—	32.0	32.0
Income from unconsolidated affiliates	—	—	—	—	0.6	0.6
Other income	—	—	—	—	0.1	0.1
Income (loss) before non-controlling interest and income taxes	\$ 33.7	\$ (30.1)	\$ 188.1	\$ 129.0	\$ (308.8)	\$ 11.9
Capital expenditures	\$ 181.1	\$ 44.6	\$ 17.9	\$ 16.9	\$ 2.1	\$ 262.6

(1) Includes related party cost of sales of \$8.7 million for the year ended December 31, 2020.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

	Permian	Louisiana	Oklahoma	North Texas	Corporate	Totals
<b>Year Ended December 31, 2019</b>						
Natural gas sales	\$ 94.3	\$ 416.6	\$ 236.4	\$ 129.3	\$ —	\$ 876.6
NGL sales	0.9	1,725.6	19.6	30.9	—	1,777.0
Crude oil and condensate sales	1,975.0	291.9	109.6	—	—	2,376.5
Product sales	2,070.2	2,434.1	365.6	160.2	—	5,030.1
Natural gas sales—related parties	0.4	—	—	—	(0.4)	—
NGL sales—related parties	347.7	25.7	421.1	94.8	(889.3)	—
Crude oil and condensate sales—related parties	13.5	1.7	—	5.5	(20.7)	—
Product sales—related parties	361.6	27.4	421.1	100.3	(910.4)	—
Gathering and transportation	48.8	58.3	234.5	196.4	—	538.0
Processing	30.5	3.2	138.2	143.0	—	314.9
NGL services	—	50.6	—	0.1	—	50.7
Crude services	19.2	51.9	19.8	—	—	90.9
Other services	12.0	0.7	0.1	1.1	—	13.9
Midstream services	110.5	164.7	392.6	340.6	—	1,008.4
NGL services—related parties	—	(3.4)	—	—	3.4	—
Crude services—related parties	—	—	1.8	—	(1.8)	—
Midstream services—related parties	—	(3.4)	1.8	—	1.6	—
Revenue from contracts with customers	2,542.3	2,622.8	1,181.1	601.1	(908.8)	6,038.5
Cost of sales, exclusive of operating expenses and depreciation and amortization (1)	(2,283.9)	(2,181.6)	(627.0)	(208.8)	908.8	(4,392.5)
Realized gain on derivatives	9.4	5.1	—	—	—	14.5
Change in fair value of derivatives	1.5	(1.8)	—	0.2	—	(0.1)
Adjusted gross margin	269.3	444.5	554.1	392.5	—	1,660.4
Operating expenses	(112.9)	(147.3)	(104.0)	(102.9)	—	(467.1)
Segment profit	156.4	297.2	450.1	289.6	—	1,193.3
Depreciation and amortization	(119.8)	(154.1)	(194.9)	(139.8)	(8.4)	(617.0)
Impairments	(3.5)	(2.1)	(190.5)	(2.1)	—	(198.2)
Gain (loss) on disposition of assets	(0.3)	2.6	0.1	(0.5)	—	1.9
General and administrative	—	—	—	—	(139.2)	(139.2)
Loss on secured term loan receivable	—	—	—	—	(52.9)	(52.9)
Interest expense, net of interest income	—	—	—	—	(215.7)	(215.7)
Loss from unconsolidated affiliates	—	—	—	—	(16.8)	(16.8)
Other income	—	—	—	—	0.9	0.9
Income (loss) before non-controlling interest and income taxes	\$ 32.8	\$ 143.6	\$ 64.8	\$ 147.2	\$ (432.1)	\$ (43.7)
Capital expenditures	\$ 364.5	\$ 99.9	\$ 238.1	\$ 39.0	\$ 6.9	\$ 748.4

(1) Includes related party cost of sales of \$21.7 million for the year ended December 31, 2019.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

The table below represents information about segment assets as of December 31, 2021 and 2020 (in millions):

Segment Identifiable Assets:	December 31, 2021	December 31, 2020
Permian	\$ 2,358.6	\$ 2,236.3
Louisiana	2,428.6	2,312.4
Oklahoma	2,619.5	2,847.6
North Texas	896.8	1,008.6
Corporate (1)	220.9	357.8
Total identifiable assets	<u>\$ 8,524.4</u>	<u>\$ 8,762.7</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.

#### **(14) Supplemental Cash Flow Information**

The following schedule summarizes cash paid for interest, cash paid for income taxes, cash paid for finance leases included in cash flows from financing activities, cash paid for operating leases included in cash flows from operating activities, non-cash investing activities, and non-cash financing activities for the periods presented (in millions):

Supplemental disclosures of cash flow information:	Year Ended December 31,		
	2021	2020	2019
Cash paid for interest (1)	\$ 208.8	\$ 207.3	\$ 218.5
Cash paid (refunded) for income taxes	\$ 0.3	\$ 0.6	\$ 3.9
Cash paid for finance leases included in cash flows from financing activities	\$ —	\$ —	\$ 1.2
Cash paid for operating leases included in cash flows from operating activities	\$ 24.6	\$ 24.6	\$ 29.8
<b>Non-cash investing activities:</b>			
Non-cash accrual of property and equipment	\$ 12.0	\$ (39.6)	\$ (6.5)
Non-cash right-of-use assets obtained in exchange for operating lease liabilities	\$ 18.7	\$ 9.8	\$ 104.1
Non-cash acquisitions	\$ 16.9	\$ —	\$ —
<b>Non-cash financing activities:</b>			
Receivable from sale of VEX	\$ —	\$ 10.0	\$ —
Redemption of non-controlling interest	\$ —	\$ (4.0)	\$ —

(1) Includes cash paid to ENLC for interest of \$53.2 million, \$58.8 million, and \$62.6 million for the years ended December 31, 2021, 2020, 2019, respectively.

**ENLINK MIDSTREAM PARTNERS, LP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (continued)**

**(15) Other Information**

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

<b>Other current assets:</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Natural gas and NGLs inventory	\$ 49.4	\$ 44.9
Prepaid expenses and other	34.2	13.8
Other current assets	<u>\$ 83.6</u>	<u>\$ 58.7</u>

<b>Other current liabilities:</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accrued interest	\$ 32.0	\$ 32.1
Accrued wages and benefits, including taxes	33.1	22.5
Accrued ad valorem taxes	28.3	26.5
Capital expenditure accruals	23.2	10.6
Short-term lease liability	18.1	16.3
Installment payable (1)	10.0	—
Inactive easement commitment (2)	9.8	—
Operating expense accruals	9.6	8.4
Other	23.4	28.5
Other current liabilities	<u>\$ 187.5</u>	<u>\$ 144.9</u>

(1) Consideration paid for the acquisition of Amarillo Rattler, LLC included an installment payable to be 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.

**(16) Subsequent Event**

*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.

For purposes of issuing these financial statements, management evaluated events and transactions through February 16, 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.