

REFINITIV

## DELTA REPORT

### 10-Q

KINETIK HOLDINGS INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1435

■ CHANGES	277
■ DELETIONS	632
■ ADDITIONS	526

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38048



**KINETIK HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**81-4675947**

(I.R.S. Employer Identification No.)

**2700 Post Oak Blvd, Suite 300  
Houston, Texas, 77056**  
(Address of principal executive offices)  
(Zip Code)

**(713) 621-7330**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
**Class A common stock, \$0.0001 par value**

Trading Symbol(s)  
**KNTK**

Name of each exchange on which registered  
**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of registrant's Class A Common Stock, par value \$0.0001 per share issued and outstanding as of **October 31, 2023** **April 26, 2024**

**59,715,285** **54,522,697**

Number of shares of registrant's Class C Common Stock, par value \$0.0001 per share issued and outstanding as of **October 31, 2023** **April 26, 2024**

**93,942,788** **94,089,038**

## TABLE OF CONTENTS

Item	Page	Item	Page
PART I — FINANCIAL INFORMATION			
PART I — FINANCIAL INFORMATION			
FINANCIAL STATEMENTS			
1. 1. (UNAUDITED)	1		
1.			
		<u>FINANCIAL STATEMENTS (UNAUDITED)</u>	1
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>STATEMENTS OF</u>			
<u>OPERATIONS - THREE</u>			
<u>MONTHS ENDED MARCH</u>			
<u>31, 2024 AND 2023</u>			
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>STATEMENTS OF</u>			
<u>OPERATIONS - THREE</u>			
<u>MONTHS ENDED MARCH</u>			
<u>31, 2024 AND 2023</u>			
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>STATEMENTS OF</u>			
<u>OPERATIONS - THREE</u>			
<u>MONTHS ENDED MARCH</u>			
<u>31, 2024 AND 2023</u>	1		
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>BALANCE SHEETS - AS</u>			
<u>OF MARCH 31, 2024 AND</u>			
<u>DECEMBER 31, 2023</u>			
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>BALANCE SHEETS - AS</u>			
<u>OF MARCH 31, 2024 AND</u>			
<u>DECEMBER 31, 2023</u>			
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>BALANCE SHEETS - AS</u>			
<u>OF MARCH 31, 2024 AND</u>			
<u>DECEMBER 31, 2023</u>	2		
<u>CONDENSED</u>			
<u>CONSOLIDATED</u>			
<u>STATEMENTS OF CASH</u>			
<u> FLOWS - THREE</u>			
<u>MONTHS ENDED MARCH</u>			
<u>31, 2024 AND 2023</u>			

CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS - THREE  
MONTHS ENDED MARCH  
31, 2024 AND 2023

CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS - THREE  
MONTHS ENDED MARCH  
31, 2024 AND 2023

3

CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
CHANGES IN EQUITY  
AND NONCONTROLLING  
INTERESTS - THREE  
MONTHS ENDED MARCH  
31, 2024 AND 2023

CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
CHANGES IN EQUITY  
AND NONCONTROLLING  
INTERESTS - THREE  
MONTHS ENDED MARCH  
31, 2024 AND 2023

CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
CHANGES IN EQUITY  
AND NONCONTROLLING  
INTERESTS - THREE  
MONTHS ENDED MARCH  
31, 2024 AND 2023

4

NOTES TO CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS  
NOTES TO CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS  
NOTES TO CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS

5

1. DESCRIPTION  
OF THE  
ORGANIZATION  
AND SUMMARY  
OF SIGNIFICANT  
ACCOUNTING  
POLICIES
1. DESCRIPTION  
OF THE  
ORGANIZATION  
AND SUMMARY  
OF SIGNIFICANT  
ACCOUNTING  
POLICIES

1. <u>DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>	5
2. <u>BUSINESS COMBINATIONS</u>	
2. <u>BUSINESS COMBINATIONS</u>	
2. <u>BUSINESS COMBINATIONS</u>	6
3. <u>REVENUE RECOGNITION</u>	
3. <u>REVENUE RECOGNITION</u>	
3. <u>REVENUE RECOGNITION</u>	6
4. <u>PROPERTY, PLANT AND EQUIPMENT</u>	
4. <u>PROPERTY, PLANT AND EQUIPMENT</u>	
4. <u>PROPERTY, PLANT AND EQUIPMENT</u>	8
5. <u>INTANGIBLE ASSETS, NET</u>	
5. <u>INTANGIBLE ASSETS, NET</u>	
5. <u>INTANGIBLE ASSETS, NET</u>	8
6. <u>EQUITY METHOD INVESTMENTS</u>	
6. <u>EQUITY METHOD INVESTMENTS</u>	
6. <u>EQUITY METHOD INVESTMENTS</u>	9
7. <u>DEBT AND FINANCING COSTS</u>	
7. <u>DEBT AND FINANCING COSTS</u>	
7. <u>DEBT AND FINANCING COSTS</u>	
8. <u>ACCRUED EXPENSES</u>	
8. <u>ACCRUED EXPENSES</u>	10

8. ACCRUED  
EXPENSES

11

CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS - THREE  
AND NINE MONTHS  
ENDED SEPTEMBER 30,  
2023 AND 2022 2

CONDENSED  
CONSOLIDATED  
BALANCE SHEETS - AS  
OF SEPTEMBER 30, 2023  
AND DECEMBER 31,  
2022 3

9. EQUITY

CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS - NINE MONTHS  
ENDED SEPTEMBER 30,  
2023 AND 2022 4

9. EQUITY

CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
CHANGES IN EQUITY  
AND NONCONTROLLING  
INTERESTS - THREE  
AND NINE MONTHS  
ENDED SEPTEMBER 30,  
2023 AND 2022 5

9. EQUITY

10. FAIR VALUE  
MEASUREMENTS

10. FAIR VALUE  
MEASUREMENTS

10. FAIR VALUE  
MEASUREMENTS

11

12

NOTES TO CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS 8

11. DERIVATIVES  
AND HEDGING  
ACTIVITIES

11. DERIVATIVES  
AND HEDGING  
ACTIVITIES

11. DERIVATIVES  
AND HEDGING  
ACTIVITIES

12. SHARE-BASED  
COMPENSATION

12. SHARE-BASED  
COMPENSATION

12. SHARE-BASED  
COMPENSATION

13

14

1. <u>DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>	8
13. <u>INCOME TAXES</u>	
13. <u>INCOME TAXES</u>	
13. <u>INCOME TAXES</u>	
14. <u>NET INCOME PER SHARE</u>	
14. <u>NET INCOME PER SHARE</u>	
14. <u>NET INCOME PER SHARE</u>	
2. <u>BUSINESS COMBINATIONS</u>	10
15. <u>COMMITMENTS AND CONTINGENCIES</u>	
15. <u>COMMITMENTS AND CONTINGENCIES</u>	
15. <u>COMMITMENTS AND CONTINGENCIES</u>	
16. <u>SEGMENTS</u>	
16. <u>SEGMENTS</u>	
16. <u>SEGMENTS</u>	
3. <u>REVENUE RECOGNITION</u>	11
17. <u>SUBSEQUENT EVENTS</u>	
17. <u>SUBSEQUENT EVENTS</u>	
17. <u>SUBSEQUENT EVENTS</u>	
4. <u>PROPERTY, PLANT AND EQUIPMENT</u>	12
5. <u>GOODWILL AND INTANGIBLE ASSETS, NET</u>	12
6. <u>EQUITY METHOD INVESTMENTS</u>	13
7. <u>DEBT AND FINANCING COSTS</u>	14
8. <u>ACCRUED EXPENSES</u>	15
9. <u>LEASE</u>	16

10. <a href="#"><u>EQUITY AND WARRANTS</u></a>	<a href="#"><u>16</u></a>
11. <a href="#"><u>FAIR VALUE MEASUREMENTS</u></a>	<a href="#"><u>17</u></a>
12. <a href="#"><u>DERIVATIVES AND HEDGING ACTIVITIES</u></a>	<a href="#"><u>19</u></a>
13. <a href="#"><u>SHARE-BASED COMPENSATION</u></a>	<a href="#"><u>20</u></a>
14. <a href="#"><u>INCOME TAXES</u></a>	<a href="#"><u>21</u></a>
15. <a href="#"><u>NET INCOME PER SHARE</u></a>	<a href="#"><u>21</u></a>
16. <a href="#"><u>COMMITMENTS AND CONTINGENCIES</u></a>	<a href="#"><u>22</u></a>
17. <a href="#"><u>SEGMENTS</u></a>	<a href="#"><u>23</u></a>
18. <a href="#"><u>SUBSEQUENT EVENTS</u></a>	<a href="#"><u>27</u></a>
2.	
2.	
2. 2. <a href="#"><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></a>	<a href="#"><u>28</u></a>
	<a href="#"><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></a>
	<a href="#"><u>22</u></a>
3. 3. <a href="#"><u>MARKET RISK</u></a>	<a href="#"><u>41</u></a>
3.	
3.	<a href="#"><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></a>
	<a href="#"><u>31</u></a>
4. 4. <a href="#"><u>CONTROLS AND PROCEDURES</u></a>	<a href="#"><u>42</u></a>
4.	
4.	<a href="#"><u>CONTROLS AND PROCEDURES</u></a>
	<a href="#"><u>32</u></a>
<b>PART II — OTHER INFORMATION</b>	
<b>PART II — OTHER INFORMATION</b>	
<b>PART II — OTHER INFORMATION</b>	
1.	
1.	
1. 1. <a href="#"><u>LEGAL PROCEEDINGS</u></a>	<a href="#"><u>43</u></a>
	<a href="#"><u>LEGAL PROCEEDINGS</u></a>
	<a href="#"><u>33</u></a>
1A. 1A. <a href="#"><u>RISK FACTORS</u></a>	<a href="#"><u>43</u></a>
1A.	
1A.	<a href="#"><u>RISK FACTORS</u></a>
2.	
2.	

<u>UNREGISTERED SALES OF EQUITY SECURITIES</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	
2. <u>AND USE OF PROCEEDS</u> <b>43</b>	<u>PROCEEDS</u>	<b>33</b>
5. <u>OTHER INFORMATION</u> <b>43</b>		
5.		
5.	<u>OTHER INFORMATION</u>	<b>33</b>
6. <u>EXHIBITS</u> <b>44</b>		
<u>SIGNATURES</u> <b>45</b>		
6.		
6.	<u>EXHIBITS</u>	<b>34</b>
<u>SIGNATURES</u>		<u>SIGNATURES</u> <b>36</b>

i

#### GLOSSARY OF TERMS

The following are abbreviations and definitions of certain terms which may be used in this Quarterly Report on Form 10-Q and certain terms which are commonly used in the exploration, production and midstream sectors of the oil and natural gas industry:

- **ASC.** Accounting Standards Codification
- **Bbl.** One stock tank barrel of 42 United States ("U.S.") gallons liquid volume used herein in reference to crude oil, condensate or natural gas liquids
- **Bcf.** One billion cubic feet
- **Bcf/d.** One Bcf per day
- **Btu.** One British thermal unit, which is the quantity of heat required to raise the temperature of a one-pound mass of water by one-degree Fahrenheit
- **CODM.** Chief Operating Decision Maker
- **Delaware Basin.** Located on the western section of the Permian Basin. The Delaware Basin covers a 6.4 million acre area
- **Field.** An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations
- **FASB.** Financial Accounting Standards Board
- **GAAP.** United States Generally Accepted Accounting Principles
- **MBbl.** One thousand barrels of crude oil, condensate or NGLs
- **MBbl/d.** One MBbl per day
- **Mcf.** One thousand cubic feet of natural gas
- **Mcf/d.** One Mcf per day
- **MMBtu.** One million Btus
- **MMcf.** One million cubic feet of natural gas
- **MMcf/d.** One MMcf per day
- **MVC.** Minimum volume commitments
- **NGL or NGLs.** Natural gas liquids. Hydrocarbons found in natural gas, which may be extracted as liquefied petroleum gas and natural gasoline
- **Throughput.** The volume of crude oil, natural gas, NGLs, water and refined petroleum products transported or passing through a pipeline, plant, terminal or other facility during a particular period
- **SEC.** United States Securities and Exchange Commission
- **SOFR.** Secured Overnight Financing Rate
- **WTI.** West Texas Intermediate crude oil

ii

#### FORWARD-LOOKING STATEMENTS AND RISK

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included or incorporated by reference in this Quarterly Report on Form 10-Q, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans, and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "could," "expect," "intend," "project," "estimate," "anticipate," "plan," "believe," "continue," "seek," "guidance," "might," "outlook," "possibly," "potential," "prospect," "should," "would," or similar terminology. The absence of these words does not mean that a statement is not forward looking. Although we believe that the expectations reflected in such forward-looking statements are reasonable under the circumstances, we can give no assurance that such expectations will prove to have been correct. Key factors that could cause actual results to differ materially from our expectations include, but are not limited to, assumptions about:

- the market prices of oil, natural gas, NGLs and other products or services;
- competition from other pipelines, terminals or other forms of transportation and competition from other service providers for gathering system capacity and availability;
- production rates, throughput volumes, reserve levels and development success of dedicated oil and gas fields;
- our future financial condition, results of operations, liquidity, compliance with debt covenants and competitive position;
- our future revenues, cash flows and expenses;
- our access to capital and our anticipated liquidity;
- our future business strategy and other plans and objectives for future operations;
- the amount, nature and timing of our future capital expenditures, including future development costs;
- the risks associated with potential acquisitions, divestitures, new joint ventures or other strategic opportunities;
- the recruitment and retention of our officers and personnel;
- the likelihood of success of and impact of litigation and other proceedings, including regulatory proceedings;
- our assessment of our counterparty risk and the ability of our counterparties to perform their future obligations;
- the impact of federal, state and local political, regulatory and environmental developments where we conduct our business operations;
- the occurrence of an extreme weather event, terrorist attack or other event that materially impacts project construction and our operations, including cyber or other ~~attached~~ ~~on operational~~ electronic systems;
- our ability to successfully implement, execute and achieve our environmental, social and governance **sustainability** goals and initiatives;
- ~~our ability to successfully implement our share repurchase program;~~
- ~~our ability to integrate operations or realize any anticipated benefits, savings or growth of Transaction (as defined herein). See Note 2 – Business Combinations in the Notes to Condensed Consolidated Financial Statements set forth in this Form 10-Q;~~
- the realizability and valuation allowance assessment of our net deferred tax asset position;
- general economic and political conditions, including the armed conflicts in Ukraine, Israel and the Gaza Strip ~~epidemics or pandemics~~ and ~~actions taken by third parties elsewhere in response to such epidemics or pandemics, the Middle East~~, the impact of continued inflation, central bank policy actions ~~bank failures and associated liquidity risks~~ and other factors; and other factors disclosed in "Part I, Item 1A. — Risk Factors" of the Company's Annual Report on Form 10-K for the year ended ~~December 31, 2022~~ December 31, 2023, filed on ~~March 7, 2023~~ March 5, 2024.

Other factors or events that could cause the Company's actual results to differ materially from the Company's expectations may emerge from time to time, and it is not possible for the Company to predict all such factors or events. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, the Company disclaims any obligation to update or revise its forward-looking statements, whether based on changes in internal estimates or expectations, new information, future developments or otherwise.

---

#### PART I — FINANCIAL INFORMATION

##### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
	2024	2024	2024
(In thousands, except per share data)			
(In thousands, except per share data)			
(In thousands, except per share data)			
Operating revenues:			
Service revenue			
Service revenue			
Service revenue			
Product revenue			
Product revenue			
Product revenue			
Other revenue			
Other revenue			
Other revenue			
Total operating revenues <sup>(1)</sup>			
Total operating revenues <sup>(1)</sup>			
Total operating revenues <sup>(1)</sup>			
Operating costs and expenses:			
Operating costs and expenses:			
Operating costs and expenses:			
Costs of sales (exclusive of depreciation and amortization) <sup>(2) (3)</sup>			
Costs of sales (exclusive of depreciation and amortization) <sup>(2) (3)</sup>			
Costs of sales (exclusive of depreciation and amortization) <sup>(2) (3)</sup>			
Operating expenses			
Operating expenses			
Operating expenses			
Ad valorem taxes			
Ad valorem taxes			
Ad valorem taxes			
General and administrative expenses			
General and administrative expenses			
General and administrative expenses			
Depreciation and amortization expenses			
Depreciation and amortization expenses			
Depreciation and amortization expenses			
Loss on disposal of assets			
Loss on disposal of assets			

Loss on disposal of assets					
Total operating costs and expenses					
Total operating costs and expenses					
Total operating costs and expenses					
Operating income					
Operating income					
Operating income					
Other income (expense):					
Other income (expense):					
Other income (expense):					
Interest and other income					
Interest and other income					
Interest and other income					
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022 <sup>(1)</sup>	
Interest expense					(In thousands, except per share data)
Operating revenues:					
Service revenue	\$ 104,349	\$ 107,597	\$ 310,325	\$ 290,122	
Product revenue	221,280	213,803	586,534	618,382	
Other revenue	4,672	3,776	10,685	9,493	
Total operating revenues <sup>(2)</sup>	330,301	325,176	907,544	917,997	
Operating costs and expenses:					
Costs of sales (exclusive of depreciation and amortization) <sup>(3)(4)</sup>	147,756	145,208	374,100	418,197	
Operating expenses	42,925	35,845	118,804	100,996	
Ad valorem taxes	5,607	5,903	14,954	15,936	
General and administrative expenses	22,751	23,468	73,131	72,180	
Depreciation and amortization expenses	69,935	65,005	208,271	192,609	
Loss on disposal of assets	2,927	3,946	15,166	12,602	
Total operating costs and expenses	291,901	279,375	804,426	812,520	
Operating income	38,400	45,801	103,118	105,477	
Other income (expense):					
Interest and other income	289	—	1,625	250	
Gain on redemption of mandatorily redeemable Preferred Units	—	—	—	9,580	
Loss on debt extinguishment	—	—	—	(27,975)	
Gain on embedded derivative	—	488	—	89,050	
Interest expense					
Interest expense	Interest expense	(45,009)	(40,464)	(130,443)	(92,585)
Equity in earnings of unconsolidated affiliates	Equity in earnings of unconsolidated affiliates	50,754	45,003	146,828	120,706
Equity in earnings of unconsolidated affiliates					
Equity in earnings of unconsolidated affiliates					
Total other income, net		6,034	5,027	18,010	99,026
Total other income (expense), net					
Total other income (expense), net					
Total other income (expense), net					
Income before income taxes					

Income before income taxes						
Income before income taxes	Income before income taxes	44,434	50,828	121,128	204,503	
Income tax expense	Income tax expense	1,303	1,406	2,030	2,244	
Income tax expense						
Income tax expense						
Net income including noncontrolling interest	Net income including noncontrolling interest	43,131	49,422	119,098	202,259	
Net income attributable to Preferred Unit limited partners		—	708	—	—	115,203
Net income attributable to common shareholders		43,131	48,714	119,098	87,056	
Net income including noncontrolling interest						
Net income including noncontrolling interest						
Net income attributable to Common Unit limited partners						
Net income attributable to Common Unit limited partners						
Net income attributable to	Net income attributable to					
Common Unit limited partners	Common Unit limited partners	27,551	33,778	77,068	61,817	
Net income attributable to Class A Common Stock Shareholders	Net income attributable to Class A Common Stock Shareholders	\$ 15,580	\$ 14,936	\$ 42,030	\$ 25,239	
Net income attributable to Class A Common Stock Shareholders						
Net income attributable to Class A Common Shareholders per share						
Net income attributable to Class A Common Shareholders, per share						
Net income attributable to Class A Common Shareholders, per share						
Net income attributable to Class A Common Shareholders, per share						
Basic						
Basic						
Basic	Basic	\$ 0.21	\$ 1.04	\$ 0.58	\$ 1.24	
Diluted	Diluted	\$ 0.21	\$ 1.04	\$ 0.57	\$ 1.24	
Weighted-average shares <sup>(5)</sup>						
Diluted						
Diluted						
Weighted-average shares <sup>(4)</sup>						
Weighted-average shares <sup>(4)</sup>						
Weighted-average shares <sup>(4)</sup>						
Basic						
Basic						
Basic	Basic	53,340	41,816	50,464	40,042	
Diluted	Diluted	53,463	41,855	50,719	40,075	
Diluted						
Diluted						

(1) The results includes amounts associated with related parties of \$17.2 million and \$25.8 million for the legacy ALTM business are not included in the Company's consolidated financials prior to February 22, 2022. Refer to the basis of presentation in *Note 1—Description of the Organization three months ended March 31, 2024* and *Summary of Significant Accounting Policies* in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information, 2023, respectively.

(2) Includes amounts associated with related parties of \$13.3 million \$23.3 million and \$19.9 million \$19.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$34.5 million and \$59.4 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

(3) Includes amounts associated with related parties of \$8.7 million and \$3.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$14.2 million and \$16.3 million for the nine months ended September 30, 2023 and 2022, respectively.

(4) Cost of sales (exclusive of depreciation and amortization) is net of gas service revenues totaling \$38.6 million \$44.5 million and \$17.1 million \$30.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$107.1 million and \$51.1 million for the nine months ended September 30, 2023 and 2022, 2023, respectively, for certain volumes where we act as principal, principal.

(5) (4) Weighted average Class A share and per share amounts common shares have been retrospectively restated due to reflect effect of Class A common shares issued under the Company's reverse stock split, Reinvestment Agreement for all periods presented in which was effected June 8, 2022, the Class A common shares were outstanding.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

		March 31,		March 31,		March 31,							
		2024		2024		2024							
		September 30,		December 31,		(In thousands, except shares data)							
		2023		2022		(In thousands, except shares data)							
		(In thousands, except per share data)		(In thousands, except per share data)		(In thousands, except shares data)							
<b>ASSETS</b>													
<b>ASSETS</b>													
<b>ASSETS</b>	<b>ASSETS</b>												
CURRENT ASSETS:	CURRENT ASSETS:												
CURRENT ASSETS:													
CURRENT ASSETS:													
Cash and cash equivalents	Cash and cash equivalents	\$	68	\$	6,394								
Accounts receivable, net of allowance for credit losses of \$1,000 in 2023 and 2022 <sup>(1)</sup>			230,572			204,036							
Cash and cash equivalents													
Cash and cash equivalents													
Accounts receivable, net of allowance for credit losses of \$1,000 in 2024 and 2023 <sup>(1)</sup>													
Accounts receivable, net of allowance for credit losses of \$1,000 in 2024 and 2023 <sup>(1)</sup>													
Accounts receivable, net of allowance for credit losses of \$1,000 in 2024 and 2023 <sup>(1)</sup>													
Derivative assets													
Derivative assets													
Derivative assets	Derivative assets		21,635			6,963							
Prepaid and other current assets	Prepaid and other current assets		36,193			24,474							
			288,468			241,867							

Prepaid and other current assets				
Prepaid and other current assets				
		257,289		
		257,289		
		257,289		
<b>NONCURRENT ASSETS:</b>				
<b>NONCURRENT ASSETS:</b>				
<b>NONCURRENT ASSETS:</b>	<b>NONCURRENT ASSETS:</b>			
Property, plant and equipment, net	Property, plant and equipment, net		2,720,447	2,535,212
Property, plant and equipment, net				
Property, plant and equipment, net				
Intangible assets, net				
Intangible assets, net				
Intangible assets, net	Intangible assets, net		620,790	695,389
Derivative asset, non-current	Derivative asset, non-current		2,444	—
Derivative asset, non-current				
Derivative asset, non-current				
Deferred tax assets				
Deferred tax assets				
Deferred tax assets				
Operating lease right-of-use assets				
Operating lease right-of-use assets				
Operating lease right-of-use assets	Operating lease right-of-use assets		48,102	28,551
Deferred charges and other assets	Deferred charges and other assets		81,475	32,275
Deferred charges and other assets				
Investments in unconsolidated affiliates				
Investments in unconsolidated affiliates				
Investments in unconsolidated affiliates	Investments in unconsolidated affiliates		2,519,213	2,381,340
Goodwill	Goodwill		5,077	5,077
			5,997,548	5,677,844
Goodwill				
Goodwill				
		6,190,295		
		6,190,295		
		6,190,295		
Total assets				
Total assets				
Total assets	Total assets	\$	6,286,016	\$ 5,919,711
<b>LIABILITIES, NONCONTROLLING INTEREST, AND EQUITY</b>				
<b>LIABILITIES, NONCONTROLLING INTEREST, AND EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>	<b>CURRENT LIABILITIES:</b>			
Accounts payable	Accounts payable	\$	17,624	\$ 17,899

Accounts payable			
Accounts payable			
Accrued expenses			
Accrued expenses			
Accrued expenses	Accrued expenses	188,062	173,914
Derivative liabilities	Derivative liabilities	4,863	5,718
Derivative liabilities			
Derivative liabilities			
Current portion of operating lease liabilities			
Current portion of operating lease liabilities			
Current portion of operating lease liabilities	Current portion of operating lease liabilities	33,434	22,810
Other current liabilities	Other current liabilities	7,106	7,487
		251,089	227,828
Other current liabilities			
Other current liabilities			
		233,951	
		233,951	
		233,951	
NONCURRENT LIABILITIES			
NONCURRENT LIABILITIES			
NONCURRENT LIABILITIES	NONCURRENT LIABILITIES		
Long term debt, net	Long term debt, net	3,606,962	3,368,510
Long term debt, net			
Long term debt, net			
Contract liabilities	Contract liabilities	25,500	22,693
Contract liabilities			
Contract liabilities			
Operating lease liabilities			
Operating lease liabilities			
Operating lease liabilities	Operating lease liabilities	15,633	6,023
Derivative liabilities	Derivative liabilities	382	8,328
Derivative liabilities			
Derivative liabilities			
Derivative liabilities			
Other liabilities			
Other liabilities			
Other liabilities	Other liabilities	3,272	2,677
Deferred tax liabilities	Deferred tax liabilities	12,693	11,018
		3,664,442	3,419,249
Deferred tax liabilities			
Deferred tax liabilities			
		3,562,399	
		3,562,399	
		3,562,399	
Total liabilities	Total liabilities	3,915,531	3,647,077
COMMITMENTS AND CONTINGENCIES (Note 16)			
Total liabilities			
Total liabilities			
COMMITMENTS AND CONTINGENCIES (Note 15)			
COMMITMENTS AND CONTINGENCIES (Note 15)			
COMMITMENTS AND CONTINGENCIES (Note 15)			

Redeemable noncontrolling interest — Common Unit limited partners			
Redeemable noncontrolling interest — Common Unit limited partners			
Redeemable noncontrolling interest — Common Unit limited partners	Redeemable noncontrolling interest — Common Unit limited partners		
EQUITY:	EQUITY:		
Class A Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 54,519,658 and 45,679,447 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively <sup>(2)</sup>		6	5
Class C Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 94,089,038 and 94,270,000 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively <sup>(2)</sup>		9	9
EQUITY:			
EQUITY:			
Class A Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 59,712,487 and 57,096,538 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Class A Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 59,712,487 and 57,096,538 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Class A Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 59,712,487 and 57,096,538 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Class C Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 93,942,788 and 94,089,038 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Class C Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 93,942,788 and 94,089,038 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Class C Common Stock: \$0.0001 par, 1,500,000,000 shares authorized, 93,942,788 and 94,089,038 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	91,747	118,840
Additional paid-in capital			
Additional paid-in capital			
Accumulated deficit			
Accumulated deficit			
Accumulated deficit	Accumulated deficit	(929,778)	(958,629)
Total equity	Total equity	(838,016)	(839,775)
Total equity			
Total equity			
Total liabilities, noncontrolling interest, and equity	Total liabilities, noncontrolling interest, and equity	\$ 6,286,016	\$ 5,919,711
Total liabilities, noncontrolling interest, and equity			
Total liabilities, noncontrolling interest, and equity			

(1) Includes amounts of **\$15.0 million** \$11.4 million and **\$17.6 million** \$15.8 million associated with related parties as of **September 30, 2023** March 31, 2024 and **December 31, 2022** December 31, 2023, respectively.

(2) Share amounts have been retrospectively restated to reflect the Company's stock split, which was effected June 8, 2022.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(In thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income including noncontrolling interests	\$ 119,098	\$ 202,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	208,271	192,609
Amortization of deferred financing costs	4,601	8,053
Amortization of contract costs	4,965	1,344
Contingent liabilities remeasurement	—	(839)
Distributions from unconsolidated affiliates	205,891	185,786
Derivatives settlement	15,111	11,115
Derivative fair value adjustment	(41,028)	(103,032)
Warrants fair value adjustment	(73)	—
Gain on redemption of mandatorily redeemable Preferred Units	—	(9,580)
Loss on disposal of assets	15,166	12,602
Equity in earnings from unconsolidated affiliates	(146,828)	(120,706)
Loss on debt extinguishment	—	27,975
Share-based compensation	43,340	30,966
Deferred income taxes	1,675	1,882
Changes in operating assets and liabilities:		
Accounts receivable	(26,982)	(73,927)
Other assets	(7,033)	(9,583)
Accounts payable	(780)	926
Accrued liabilities	8,840	95,675
Other non-current liabilities	668	—
Operating leases	683	(281)
Net cash provided by operating activities	405,585	453,244
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property, plant and equipment expenditures	(245,798)	(160,478)
Intangible assets expenditures	(15,079)	(13,332)
Investments in unconsolidated affiliates	(202,729)	(56,199)
Distributions from unconsolidated affiliate	5,793	—
Cash proceeds from disposals	213	190
Net cash (paid for) acquired in acquisitions	(125,000)	13,401
Net cash used in investing activities	(582,600)	(216,418)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of long-term debt	—	3,000,000
Principal payments on long-term debt	—	(2,294,130)
Payments on debt issuance cost	—	(36,873)
Proceeds from revolver	673,000	537,000
Payments on revolver	(438,000)	(771,000)
Redemption of mandatorily redeemable Preferred Units	—	(183,297)
Redemption of redeemable noncontrolling interest Preferred Units	—	(461,460)
Distributions paid to mandatorily redeemable Preferred Unit holders	—	(1,850)
Distributions paid to redeemable noncontrolling interest Preferred Unit limited partners	—	(6,937)
Cash dividends paid to Class A Common Stock shareholders	(58,030)	(24,351)
Distributions paid to Class C Common Unit limited partners	(524)	(929)
Repurchase of Class A Common Stock	(5,757)	—
Net cash provided by (used in) financing activities	170,689	(243,827)

Net change in cash		(6,326)	(7,001)
CASH, BEGINNING OF PERIOD		6,394	18,729
CASH, END OF PERIOD	\$ 68	\$ 11,728	
<b>SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES</b>			
Cash paid for interest, net of amounts capitalized	\$ 165,877	\$ 76,592	
Property and equipment and intangible accruals in accounts payable and accrued liabilities	\$ 25,237	\$ 17,717	
Class A Common Stock issued through dividend and distribution reinvestment plan	\$ 263,771	\$ 175,453	
Fair value of ALTM assets acquired	\$ —	\$ 2,446,430	
Class A Common Stock issued in exchange	—	1,013,745	
ALTM liabilities and mezzanine equity assumed	\$ —	\$ 1,432,685	
<b>Three Months Ended March 31,</b>			
	<b>2024</b>	<b>2023</b>	
<b>(In thousands)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income including noncontrolling interests	\$ 35,407	\$ 4,299	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	73,606	68,854	
Amortization of deferred financing costs	1,699	1,521	
Amortization of contract costs	1,655	1,655	
Distributions from unconsolidated affiliates	77,213	67,764	
Derivatives settlement	3,754	974	
Derivative fair value adjustment	1,957	11,770	
Warrants fair value adjustment	—	(44)	
Loss on disposal of assets	4,166	102	
Equity in earnings from unconsolidated affiliates	(60,469)	(46,464)	
Share-based compensation	22,561	17,540	
Deferred income taxes	3,660	363	
Changes in operating assets and liabilities:			
Accounts receivable	5,843	5,008	
Other assets	1,865	(2,206)	
Accounts payable	(20,982)	(3,175)	
Accrued liabilities	1,756	(10,679)	
Other non-current liabilities	11	1,677	
Operating leases	3	632	
Net cash provided by operating activities	153,705	119,591	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Property, plant and equipment expenditures	(57,975)	(58,862)	
Intangible assets expenditures	(2,223)	(9,755)	
Investments in unconsolidated affiliates	(3,273)	(58,658)	
Distributions from unconsolidated affiliate	1,240	5,793	
Cash proceeds from disposals	251	14	
Net cash paid for acquisitions	—	(125,000)	
Net cash used in investing activities	(61,980)	(246,468)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments on debt issuance cost	(11)	—	
Proceeds from revolver	44,000	267,000	
Payments on revolver	(91,000)	(125,000)	
Cash dividends paid to Class A Common Stock shareholders	(38,747)	(16,927)	
Distributions paid to Class C Common Unit limited partners	(721)	(174)	
Repurchase of Class A Common Stock	—	(2,432)	
Net cash (used in) provided by financing activities	(86,479)	122,467	

Net change in cash	5,246	(4,410)
CASH, BEGINNING OF PERIOD	4,510	6,394
CASH, END OF PERIOD	\$ 9,756	\$ 1,984
SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES		
Cash paid for interest, net of amounts capitalized	\$ 57,095	\$ 36,745
Property and equipment and intangible accruals in accounts payable and accrued liabilities	\$ 20,564	\$ 32,715
Class A Common Stock issued through dividend and distribution reinvestment plan	\$ 74,247	\$ 87,658

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND NONCONTROLLING INTERESTS**  
**(Unaudited)**

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners <sup>(2)</sup>	Redeemable Noncontrolling Interest — Common Unit Limited Partners	Equity										
			Class A Common Stock		Class C Common Stock		Additional		Treasury Stock	Total Equity			
	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Paid-in Capital	Accumulated Deficit							
(In thousands)										(In thousands)			
<i>For the Quarter Ended September 30, 2022</i>													
<b>Balance at June 30, 2022</b>	\$ 563,338	\$ 3,251,290	40,551	\$ 4	94,450	\$ 9	—	\$ (1,181,343)	\$ —	\$ (1,181,330)			
Redemption of Common Units	—	(6,765)	180	—	(180)	—	6,765	—	—	6,765			
Redemption of Preferred Units	(461,460)	—	—	—	—	—	—	—	—	—			
Excess of carrying amount over Preferred Units redemption price	(102,586)	76,623.00	—	—	—	—	—	32,900	—	32,900			
Issuance of Class A Common Stock through dividend and distribution reinvestment plan	—	—	2,351	—	—	—	87,756	—	—	87,756			
Share-based compensation	—	—	—	—	—	—	12,661	—	—	12,661			
Net income	708	33,778	—	—	—	—	—	14,936	—	14,936			
Change in redemption value of noncontrolling interests	—	(222,227)	—	—	—	—	—	222,227	—	222,227			
Distributions paid to Common Unit limited partners	—	(70,838)	—	—	—	—	—	—	—	—			
Cash dividends on Class A Common Stock (\$0.75 per share)	—	—	—	—	—	—	(30,467)	—	—	(30,467)			
<b>Balance at September 30, 2022</b>	<b>\$ —</b>	<b>\$ 3,061,861</b>	<b>43,082</b>	<b>\$ 4</b>	<b>94,270</b>	<b>\$ 9</b>	<b>\$ 107,182</b>	<b>\$ (941,747)</b>	<b>\$ —</b>	<b>\$ (834,552)</b>			
<i>For the Quarter Ended September 30, 2023</i>													
<b>Balance at June 30, 2023</b>	<b>\$ —</b>	<b>\$ 3,242,619</b>	<b>51,973</b>	<b>\$ 5</b>	<b>94,089</b>	<b>\$ 9</b>	<b>\$ (902,446)</b>	<b>\$ (3,325)</b>	<b>\$ (905,757)</b>				
Issuance of common stock through dividend and distribution reinvestment plan	—	—	2,546	1	—	—	88,144	—	—	88,145			
Retirement of treasury stock	—	—	—	—	—	—	—	(3,325)	3,325	—			
Share-based compensation	—	—	1	—	—	—	12,502	—	—	12,502			
Net income	—	27,551	—	—	—	—	—	15,580	—	15,580			
Change in redemption value of noncontrolling interests	—	8,899	—	—	—	—	(8,899)	—	—	(8,899)			
Distribution paid to Common Unit limited partners	—	(70,568)	—	—	—	—	—	—	—	—			

Cash dividends on Class A Common Stock (\$0.75 per share)	—	—	—	—	—	—	(39,587)	—	—	(39,587)								
<b>Balance at September 30, 2023</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>3,208,501</b>	<b>54,520</b>	<b>\$</b>	<b>6</b>	<b>94,089</b>	<b>\$</b>	<b>9</b>	<b>\$</b>	<b>91,747</b>	<b>\$</b>	<b>(929,778)</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>(838,016)</b>

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND NONCONTROLLING INTERESTS**  
(Uaudited)

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners <sup>(2)</sup>	Redeemable Noncontrolling Interest — Common Unit Limited Partners	Class A Common Stock									Class C Common Stock			Additional Paid-in Capital			Accumulated Deficit			Treasury Stock			Total Equity		
			(In thousands)				(In thousands)				(In thousands)				(In thousands)				(In thousands)				(In thousands)			
			Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount		
<b>For the Nine Months Ended September 30, 2022</b>																										
<b>Balance at December 31, 2021</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>1,006,838</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>100,000</b>	<b>\$</b>	<b>10</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>10</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>10</b>	
ALTM acquisition		462,717		—	32,493		3	—	—	—	—	1,013,742		—	—	—	—	—	—	—	—	—	—	—	1,013,745	
Distributions paid to Preferred Unit limited partners		(6,937)		—	—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Redemption of Common Units		—		(179,323)	5,730		1	(5,730)	(1)	179,323		—	—	—	—	—	—	—	—	—	—	—	—	179,323		
Redemption of Preferred Units		(461,460)		—	—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Excess of carrying amount over Preferred Units redemption price		(109,523)		76,623	—		—	—	—	—	—	—	32,900		—	—	—	—	—	—	—	—	—	32,900		
Issuance of common stock through dividend and distribution reinvestment plan		—		—	4,855		—	—	—	—	—	175,453		—	—	—	—	—	—	—	—	—	—	175,453		
Share-based compensation		—		—	4		—	—	—	—	—	30,966		—	—	—	—	—	—	—	—	—	—	30,966		
Remeasurement of contingent consideration		—		—	—		—	—	—	—	—	4,451		—	—	—	—	—	—	—	—	—	—	4,451		
Net income		115,203		61,817	—		—	—	—	—	—	25,239		—	—	—	—	—	—	—	—	—	—	25,239		
Change in redemption value of noncontrolling interests		—		2,237,635	—		—	—	—	—	(1,296,753)	(940,882)		—	—	—	—	—	—	—	—	—	—	(2,237,635)		
Distribution paid to Common Unit limited partners		—		(141,729)	—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Cash dividends on Class A Common Stock (\$1.50 per share)		—		—	—		—	—	—	—	—	(59,004)		—	—	—	—	—	—	—	—	—	—	(59,004)		
<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>3,061,861</b>	<b>43,082</b>	<b>\$</b>	<b>4</b>	<b>94,270</b>	<b>\$</b>	<b>9</b>	<b>\$</b>	<b>107,182</b>	<b>\$</b>	<b>(941,747)</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>(834,552)</b>		

**KINETIK HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND NONCONTROLLING INTERESTS**  
(Uaudited)

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners <sup>(2)</sup>	Redeemable Noncontrolling Interest — Common Unit Limited Partners									
			Class A Common Stock		Class C Common Stock		Additional Paid-in Capital		Accumulated Deficit	Treasury Stock	Total Equity
	Shares <sup>(1)</sup>	Amount	Shares <sup>(1)</sup>	Amount							
(in thousands)										(in thousands)	
<b>For the Nine Months Ended September 30, 2023</b>											
<b>Balance at December 31, 2022</b>											
Redemption of Common Units	\$ —	\$ (5,634)	45,679	\$ 5	94,270	\$ 9	\$ 118,840	\$ (958,629)	\$ —	\$ (839,775)	
Issuance of common stock through dividend and distribution reinvestment plan	—	—	181	—	(181)	—	5,634	—	—	5,634	
Retirement of treasury stock	—	—	8,641	1	—	—	263,771	—	—	263,772	
Repurchase of Class A Common Stock	—	—	—	—	—	—	—	(5,757)	5,757	—	
Share-based compensation	—	—	(194)	—	—	—	—	—	(5,757)	(5,757)	
Net income	—	77,068	213	—	—	—	43,340	—	—	43,340	
Change in redemption value of noncontrolling interests	—	236,358	—	—	—	—	(339,838)	103,480	—	(236,358)	
Distribution paid to Common Unit limited partners	—	(211,700)	—	—	—	—	—	—	—	—	
Cash dividends on Class A Common Stock (\$2.25 per share)	—	—	—	—	—	—	—	(110,902)	—	(110,902)	
<b>Balance at September 30, 2023</b>	<b>\$ —</b>	<b>\$ 3,208,501</b>	<b>54,520</b>	<b>\$ 6</b>	<b>94,089</b>	<b>\$ 9</b>	<b>\$ 91,747</b>	<b>\$ (929,778)</b>	<b>\$ —</b>	<b>\$ (838,016)</b>	

(1) Share amounts have been retrospectively restated to reflect the Company's Stock Split, which was effected on June 8, 2022. Refer to Note 10—Equity and Warrants in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information.

(2) Certain redemption features embedded within the Preferred Units require bifurcation and measurement at fair value. For further detail, refer to Note 12—Series A Cumulative Redeemable Preferred Units in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Commission on March 7, 2023. All outstanding Preferred Units were redeemed in 2022.

	Redeemable Noncontrolling Interest — Common Unit Limited Partners									
			Class A Common Stock		Class C Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Equity
	Shares	Amount	Shares	Amount						
(in thousands)										
<b>Balance at December 31, 2022</b>										
<b>Redemption of Common Units</b>										
Redemption of Common Units	\$ 3,112,409	(5,634)	45,679	\$ 5	94,270	\$ 9	\$ 118,840	\$ (958,629)	\$ —	\$ (839,775)
Issuance of common stock through dividend and distribution reinvestment plan	—	181	—	(181)	—	—	5,634	—	—	5,634
Repurchase of Class A Common Stock	—	3,071	—	—	—	—	87,658	—	—	87,658
Share-based compensation	—	(82)	—	—	—	—	—	—	(2,432)	(2,432)
Net income	2,863	205	—	—	—	—	17,540	—	—	17,540
Change in redemption value of noncontrolling interests	(128,211)	—	—	—	—	—	—	128,211	—	128,211
Distributions paid to Common Unit limited partners	(70,566)	—	—	—	—	—	—	—	—	—
Dividends on Class A Common Stock (\$0.75 per share)	—	—	—	—	—	—	(34,470)	—	—	(34,470)
<b>Balance at March 31, 2023</b>	<b>\$ 2,910,861</b>	<b>49,054</b>	<b>\$ 5</b>	<b>94,089</b>	<b>\$ 9</b>	<b>\$ 229,672</b>	<b>\$ (863,452)</b>	<b>\$ (2,432)</b>	<b>\$ (636,198)</b>	

<b>Balance at December 31, 2023</b>	\$ 3,157,807	57,097	\$ 6	94,089	\$ 9	192,678	\$ (723,516)	\$ —	\$ (530,823)
Redemption of Common Units	(5,060)	146	—	(146)	—	5,060	—	—	5,060
Issuance of common stock through dividend and distribution reinvestment plan	—	2,179	—	—	—	74,247	—	—	74,247
Share-based compensation	—	290	—	—	—	22,561	—	—	22,561
Net income	23,857	—	—	—	—	—	11,550	—	11,550
Change in redemption value of noncontrolling interests	518,581	—	—	—	—	(300,296)	(218,285)	—	(518,581)
Recognition of deferred tax asset	—	—	—	—	—	5,750	—	—	5,750
Distribution paid to Common Unit limited partners	(70,515)	—	—	—	—	—	—	—	—
Dividends on Class A Common Stock (\$0.75 per share)	—	—	—	—	—	—	(43,200)	—	(43,200)
<b>Balance at March 31, 2024</b>	<b>\$ 3,624,670</b>	<b>59,712</b>	<b>\$ 6</b>	<b>93,943</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$ (973,451)</b>	<b>\$ —</b>	<b>\$ (973,436)</b>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

### KINETIK HOLDINGS INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

These Condensed Consolidated Financial Statements have been prepared by Kinetik Holdings Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). They reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for interim periods, on a basis consistent with the annual audited financial statements, with the exception of recently adopted accounting pronouncements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read along with the Company's audited financial statements and related notes thereto for the year ended December 31, 2022 December 31, 2023 included in the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2023 March 5, 2024.

## 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

BCP Raptor Holdco, The Company is a holding company, whose only significant assets are ownership of the non-economic general partner interest and an approximate 39% limited partner interest in Kinetik Holdings LP ("BCP"), the Company's predecessor for accounting purposes, was formed on April 25, 2017 as a Delaware limited partnership to acquire and develop midstream oil and gas assets. BCP's primary operating subsidiaries are EagleClaw Midstream Ventures, LLC and CR Permian Holdings, LLC. Both subsidiaries were formed to design, engineer, install, own and operate facilities and provide services for produced natural gas gathering, compression, processing, treating and dehydration, and condensate separation, stabilization, and storage, crude oil gathering and storage and produced water gathering and disposal assets.

Altus Midstream Company ("ALTM" (the "Partnership") was originally incorporated on December 12, 2016 in Delaware under. As the name Kayne Anderson Acquisition Corp. ("KAAC") for owner of the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. KAAC completed its initial public offering non-economic general partner interest in the second quarter of 2017. On August 3, 2018, Altus Midstream LP was formed in Delaware as a limited partnership Partnership, the Company is responsible for all operational, management and wholly-owned subsidiary of KAAC administrative decisions related to, and entered into a contribution agreement with certain affiliates of Apache Corporation ("Apache" and such affiliates consolidates the "Altus Midstream Entities"), formed by Apache between May 2016 and January 2017, for the purpose of acquiring, developing and operating midstream oil and gas assets in the Alpine High resource play and surrounding areas. On November 9, 2018, KAAC acquired all equity interests results of, the Altus Midstream Entities and changed its name to Altus Midstream Company.

On February 22, 2022 (the "Closing Date"), Kinetik Holdings Inc., a Delaware corporation (formerly known as Altus Midstream Company), consummated the business combination transactions contemplated by that certain Contribution Agreement, dated as of October 21, 2021 (the "Contribution Agreement"), by and among the Company, Altus Midstream LP (now known as Kinetik Holdings LP), a Delaware limited partnership and subsidiary of Altus Midstream Company (the "Partnership"), New BCP Raptor Holdco, LLC, a Delaware limited liability company ("Contributor") and BCP. The transactions contemplated by the Contribution Agreement are referred to herein as the "Transaction." In connection with the closing of the Transaction (the "Closing"), the Company changed its name from "Altus Midstream Company" to "Kinetik Holdings Inc." Unless the context otherwise requires, "ALTM" refers to the registrant prior to the Closing and "we," "us," "our" and the "Company" refer to Kinetik Holdings Inc., the registrant Partnership and its subsidiaries following the Closing, subsidiaries.

Through its consolidated subsidiaries, the The Company provides comprehensive gathering, produced water disposal, transportation, compression, processing and treating services necessary to bring natural gas, NGLs and crude oil to market. Additionally, the Company owns equity interests in four separate Permian Basin pipeline entities that have access to various markets along the Texas U.S. Gulf Coast.

## Basis of Presentation

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with GAAP. Certain reclassifications of prior year balances have been made to conform such amounts to the current year's presentation. These reclassifications have no impact on net income. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year; accordingly, you should read these Condensed Consolidated Financial Statements in conjunction with our consolidated financial statements and related notes included in our 2022 Annual Report on Form 10-K. All intercompany balances and transactions have been eliminated in consolidation.

Prior to the Closing, the Company's financial statements that were filed with the SEC were derived from ALTM's accounting records. As the Transaction was determined to be a reverse merger, BCP was considered the accounting acquirer and ALTM was the legal acquirer. The accompanying Condensed Consolidated Financial Statements herein include (1) BCP's net assets carried at historical value, (2) BCP's historical results of operations prior to the Transaction, (3) the ALTM's net assets carried at fair value as of the Closing Date and (4) the combined results of operations with the Company's results presented within the Condensed Consolidated Financial Statements from February 22, 2022 going forward. Therefore, the results of the legacy ALTM business were not included in the Company's consolidated financials prior to February 22, 2022. Refer to Note 2—Business Combinations to our Condensed Consolidated Financial Statements herein for additional discussion.

The Company completed a two-for-one Stock Split on June 8, 2022. All corresponding per-share and share amounts for periods prior to June 8, 2022 have been retrospectively restated in this Form 10-Q to reflect the two-for-one Stock Split, except for the number of Common Units and shares of Class C Common Stock described above and herein in relation to the Transaction, which are presented at pre-Stock-Split amounts. This presentation is consistent with our previous public filings and the terms of the Contribution Agreement.

## Significant Accounting Policies

The accounting policies that we follow are set forth in Note 2 – Summary of Significant Accounting Policies of the Notes to consolidated financial statements in our Annual Report on Form 10-K. There were no significant updates or revisions to our accounting policies during the nine months ended September 30, 2023 March 31, 2024.

### Inventory

Other current assets include condensate, residue gas and NGLs inventories that are valued at the lower cost or net realizable value. Inventory was valued at \$9.1 million and \$4.8 million as of September 30, 2023 and December 31, 2022, respectively.

### Transactions with Affiliates related parties

The Company has revenue contracts and incurs cost of sales and operating expenses with Apache Midstream LLC ("Apache"), which is considered owned more than 5% of the Company's affiliate common stock prior to its secondary offerings completed in December 2023 and March 2024. Pursuant to FASB ASC 850, Related Party Transactions, Apache was no longer a related party after the completion of its secondary offering in December 2023 as it owns more than 10% of the Company's common stock. Accounts receivable from this affiliate was \$15.0 million and \$17.6 million Pursuant to Regulation S-K, Item 404(a), Apache ceased to be a related party as of September 30, 2023 and December 31, 2022 March 18, 2024 as it no longer owned any of the Company's common stock. In 2024, for the period ended March 18, 2024, respectively. Revenue from Apache was \$13.3 million \$17.2 million, cost of sales was \$9.4 million and \$19.9 million operating expenses were \$0.2 million. In 2023, for the three months ended September 30, 2023 March 31, 2023, revenue from Apache was \$25.8 million, cost of sales was \$17.8 million and \$22.2 million, respectively, and \$34.5 million and \$59.4 million for the nine months ended September 30, 2023 and 2022, respectively. Accounts payable and accrued expense due to this affiliate was immaterial as of September 30, 2023 and December 31, 2022. The Company incurred immaterial operating expenses with Apache for the three and nine months ended September 30, 2023 were \$0.3 million.

In addition, the Company incurs cost of sales with two of its equity method investment ("EMI") pipeline entities, Permian Highway Pipeline LLC ("PHP") and Breviloba, LLC ("Breviloba"). The Company pays a demand fee to PHP and pays a capacity fee to Breviloba for certain volumes moving on the Shin Oak NGL Pipeline ("Shin Oak"). For each of the three months ended September 30, 2023 March 31, 2024 and 2022, the Company recorded cost of sales of \$2.4 million \$13.9 million and \$3.7 million \$1.9 million, respectively, and \$6.4 million and \$10.8 million, for the nine months ended September 30, 2023 and 2022, respectively, with these affiliates.

## **2. BUSINESS COMBINATIONS**

As of September 30, 2023 March 31, 2024, our allocation of purchase price for acquisitions made during 2023 and 2022 are detailed below:

Acquisition Date	Acquisition Date	Considerations	Current Assets Transferred	Plant & Equipment	Intangible Assets
					Property

Acquisition Date	Acquisition	Property						Noncontrolling Interest (in thousands)	
		Considerations Transferred	Current Assets	Plant & Equipment	Intangible Assets	Other Long Term Assets	Goodwill		
		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)		
Midstream Infrastructure Assets and Incentive and Acceleration									
(1) (1) Q1 2023	Agreement <sup>(a)</sup>	\$ 125,000	\$ 4,736	\$ 61,850	\$ 3,150	\$ 55,264	\$ —	\$ —	\$ —
Altus Midstream Company									
(2) Q1 2022	("ALT M")	\$ 1,013,745	\$ 38,750	\$ 634,923	\$ 13,200	\$ 1,752,500	\$ 5,077	\$ (967,988)	\$ (462,717)

(a) Consideration includes \$65 million paid for certain midstream assets and the \$60 million paid related to the incentive and acceleration agreement.

#### Midstream Infrastructure Assets

In the first quarter of 2023, the Partnership closed on a purchase and sale agreement for certain midstream assets for ~~\$65.0 million~~ \$65.0 million together with a new 20-year midstream service agreement. Midstream assets acquired consisted of water gathering and disposal assets and intangible right-of-way assets. As the net book value of the acquired assets were approximate to their fair market value, consideration was allocated to property, plant and equipment and intangibles based on the ratio of historical long-lived assets and intangible assets acquired. In addition, the Partnership entered into an incentive and acceleration agreement related to near term supplemental development activities on acreage dedicated for midstream services to affiliates of the Partnership. Such development activities began in October 2023 and are subject to semi-annual performance milestones and subject to refund with consequential monetary penalty if not satisfied. Consideration for the incentive and acceleration agreement of ~~\$60.0 million~~ \$60.0 million was capitalized as a contract asset in accordance with ASC 606, of which \$4.7 million was included in "Prepaid and Other Current Assets" and \$55.3 million was included in "Deferred Charges and Other Assets" in the Condensed Consolidated Balance Sheet as of the date of acquisition. These transactions were accounted for as a business combination in accordance with ASC 805, and the measurement period ended on December 31, 2023. Acquisition-related costs were immaterial for this transaction. Acquired net assets from this business combination were included in the Midstream Logistic segment.

#### Altus Midstream Company

On February 22, 2022, the Company consummated the Transaction. Pursuant to the Contribution Agreement, in connection with the Closing, (i) Contributor contributed all of the equity interests of BCP and BCP Raptor Holdco GP, LLC, a Delaware limited liability company and the general partner of BCP (the "Contributed Entities") to the Partnership; and (ii) in exchange for such contribution, the Partnership transferred to Contributor 50,000,000 common units representing limited partner interests in the Partnership and 50,000,000 shares of the Company's Class C Common Stock, par value \$0.0001 per share.

The Transaction was accounted as a reverse merger in accordance with ASC 805, which, among other things, requires assets acquired and liabilities assumed to be measured at their acquisition date fair value. During the 12-month measurement period following the acquisition date, the Company made necessary adjustments as information became available to the purchase price allocation, including, but not limited to, working capital and valuation of the underlying assets of the equity method investments. The Company recorded goodwill of \$5.1 million as of December 31, 2022 related to operational synergies. Goodwill was included in the Midstream Logistics segment. The Company incurred acquisition-related costs of nil and \$0.1 million for the three months ended September 30, 2023 and 2022, respectively, and nil and \$6.4 million for the nine months ended September 30, 2023 and 2022, respectively, related to the Transaction.

### 3. REVENUE RECOGNITION

#### Disaggregation of Revenue

The following table presents a disaggregation of the Company's revenue:

	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
2024	2024	
2024	2024	
	Three Months Ended September 30,	Nine Months Ended September 30,

		(In thousands)				(In thousands)			
		2023		2022		2023		2022	
		(In thousands)				(In thousands)			
		(In thousands)				(In thousands)			
Gathering and processing services	Gathering and processing services	\$ 104,349		\$ 107,597		\$ 310,325		\$ 290,122	
Natural gas, NGLs and condensate sales	Natural gas, NGLs and condensate sales	221,280		213,803		586,534		618,382	
Natural gas, NGLs and condensate sales									
Other revenue	Other revenue	4,672		3,776		10,685		9,493	
Total revenues and other		\$ 330,301		\$ 325,176		\$ 907,544		\$ 917,997	
Other revenue									
Other revenue									
Total revenues									
Total revenues									
Total revenues									

There have been no significant changes to the Company's contracts with customers during the three and nine months ended September 30, 2023 March 31, 2024. The Company recognized revenues from minimum volume commitment ("MVC") deficiency payments of \$0.4 million nil and \$0.7 million \$1.1 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$1.6 million and \$1.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

#### Remaining Performance Obligations

The following table presents our estimated revenue from contracts with customers for remaining performance obligations that have not yet been recognized, representing our contractually committed revenues as of September 30, 2023 March 31, 2024:

Amount		
Amount		
Fiscal Year	Fiscal Year	Amount
Year	Year	(In thousands)
Remaining of 2023	\$ 4,990	
2024	56,346	
<b>Fiscal Year</b>		
<b>Fiscal Year</b>		(In thousands)
Remaining of 2024		
2025	2025	74,384
2026	2026	60,220
2027	2027	57,558
2028		
Thereafter	Thereafter	249,826
	\$	
	\$ 503,324	

Our contractually committed revenue, for the purposes of the tabular presentation above, is limited to customer contracts that have fixed pricing and fixed volume terms and conditions, including contracts with payment obligations associated with MVCs.

#### Contract Liabilities

The following table provides information about contract liabilities from contracts with customers as of **September 30, 2023** **March 31, 2024**:

	Amount
	(In thousands)
Balance at <b>December 31, 2022</b> <b>December 31, 2023</b>	\$ 29,300 32,238
Reclassification of beginning contract liabilities to revenue as a result of performance obligations being satisfied	(5,819) (1,614)
Cash received in advance and not recognized as revenue	7,826 514
Balance at <b>September 30, 2023</b> <b>March 31, 2024</b>	31,307 31,138
Less: Current portion	5,807 6,301
Non-current portion	\$ 25,500 24,837

Contract liabilities relate to payments received in advance of satisfying performance obligations under a contract, which result from contribution in aid of construction payments. Current and noncurrent contract liabilities are included in "Other Current Liabilities" and "Contract Liabilities," respectively, of the Condensed Consolidated Balance Sheets.

#### Contract Cost Assets

The Company has capitalized certain costs incurred to obtain a contract **or additional contract dedicated acreage or volumes** that would not have been incurred **otherwise**. **These costs are recovered through** if the **net cash flows of the contract or associated contract, acreage and volumes had not been obtained**. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had contract acquisition cost assets of **\$72.8 million** **\$69.5 million** and **\$17.8 million** **\$71.2 million**, respectively. Current and noncurrent contract cost assets are included in "Prepaid and Other Current Assets" and "Deferred Charges and Other Assets," respectively, of the Condensed Consolidated Balance Sheets. The Company amortizes these assets as cost of sales on a straight-line basis over the life of the associated long-term customer contracts. The Company recognized cost of sales associated with these assets of **\$1.7 million** and **\$0.4 million** **\$1.7 million** for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and **\$5.0 million** and **\$1.3 million** for the nine months ended **September 30, 2023** and **2022, 2023**, respectively.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at carrying value, is as follows:

	March 31,		December 31,		2024	2023		
	March 31,		December 31,					
	March 31,	September 30, 2023	December 31, 2022	(In thousands)				
(In thousands)								
(In thousands)								
(In thousands)								
Gathering, processing, and transmission systems and facilities	Gathering, processing, and transmission systems and facilities	\$3,187,438	\$2,904,084					
Vehicles	Vehicles	11,486	9,290	Vehicles	12,642	11,447		
Computers and equipment	Computers and equipment	6,031	4,289	Computers and equipment	7,324	6,242		
Less: accumulated depreciation	Less: accumulated depreciation	(586,290)	(474,258)			11,447		

Total depreciable assets, net	Total depreciable assets, net	2,618,665	2,443,405		
Construction in progress	Construction in progress	78,133	70,325	Construction in progress	74,369
Land	Land	23,649	21,482		74,369
Total property, plant, and equipment, net	Total property, plant, and equipment, net	\$2,720,447	\$2,535,212		

The cost of property classified as "Construction in progress" is excluded from capitalized costs being depreciated. These amounts represent property that is not yet available to be placed into productive service as of the respective reporting date. The Company recorded \$39.4 million \$42.9 million and \$34.9 million \$38.4 million of depreciation expense for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$116.6 million and \$102.4 million of depreciation expense for the nine months ended September 30, 2023 and 2022, 2023, respectively. There were no impairment triggering events for property, plant and equipment during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

## 5. GOODWILL AND INTANGIBLE ASSETS, NET

### Goodwill

Goodwill is tested at least annually as of November 30 of each year, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. Company's management assesses whether there have been events or circumstances that trigger the fair value of the reporting unit to be lower than its net carrying value since consummation of the Transaction and concluded that goodwill was not impaired as of September 30, 2023.

### Intangible Assets

Intangible assets, net, are comprised of the following:

	September 30,		December 31,
	2023		2022
	(In thousands)		
Customer contracts	\$ 1,142,278	\$ 1,137,831	
Right of way assets	140,130	127,539	
Less accumulated amortization	(661,618)	(569,981)	
<b>Total amortizable intangible assets, net</b>	<b>\$ 620,790</b>	<b>\$ 695,389</b>	

	March 31,		December 31,
	2024		2023
	(In thousands)		
Customer contracts	\$ 1,139,633	\$ 1,139,665	
Right of way assets	143,653	141,711	
Less accumulated amortization	(720,449)	(689,706)	
<b>Total amortizable intangible assets, net</b>	<b>\$ 562,837</b>	<b>\$ 591,670</b>	

The fair value of acquired customer contracts was capitalized as a result of acquiring favorable customer contracts as of the closing dates of certain past acquisitions and is being amortized using a straight-line method over the remaining term of the customer contracts, which ranged from one to twenty years. Right-of-way assets relate primarily to underground pipeline easements which have a useful life of ten years and are amortized using the straight-line method. The right of way agreements are typically for an initial term of ten years with an option to renew for an additional ten years at agreed upon renewal rates based on certain indices or up to 130% of the original consideration paid.

On September 30, 2023 March 31, 2024, the remaining weighted average amortization periods for customer contracts and right of way assets were approximately 7.08 6.81 years and 6.86 6.45 years, respectively. The overall remaining weighted average amortization period for the intangible assets as of September 30, 2023 March 31, 2024 was approximately 7.05 6.76 years.

The Company recorded \$30.6 million \$30.7 million and \$30.1 million \$30.5 million of amortization expense for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$91.6 million and \$90.2 million of amortization expense for the nine months ended September 30, 2023 and 2022, 2023, respectively. There was no impairment recognized on intangible assets for the three and nine months ended September 30, 2023 and 2022, March 31, 2024 or 2023.

## 6. EQUITY METHOD INVESTMENTS

As of **September 30, 2023** **March 31, 2024**, the Company owned investments in the following long-haul pipeline entities in the Permian Basin. These investments were accounted for using the equity method of accounting. For each EMI pipeline entity, the Company has the ability to exercise significant influence based on certain governance provisions and its participation in the significant activities and decisions that impact the management and economic performance of the EMI pipeline. The table below presents the ownership percentages and investment balances held by the Company for each entity:

		March 31,		March 31, 2024		December 31, 2023	
		Ownership <sup>(1)</sup>		Ownership <sup>(1)</sup>			
		September 30,	December 31,	2024	2023		
Ownership	Ownership	2023	2022				
		(In thousands)		(In thousands)		(In thousands)	
		(In thousands)		(In thousands)		(In thousands)	
PHP	PHP	53.3%		\$ 1,638,319	\$ 1,474,800		
Breviloba	Breviloba	33.0%		446,314	455,057		
GCX		16.0%		434,580	451,483		
				<u>\$ 2,519,213</u>	<u>\$ 2,381,340</u>		
Gulf Coast Express Pipeline LLC ("GCX")							
				<u>\$</u>	<u>—</u>		

Additionally, as<sup>(1)</sup> As of September 30, 2023, March 31, 2024 the Company also owned 15.0% of Epic Crude Holdings, LP ("EPIC"). However, no dollar value was assigned through the Transaction's purchase price allocation as an adjustment was made to eliminate equity in losses of EPIC. No additional contribution was made to EPIC and no distribution or equity income was received from EPIC during the three and nine months ended September 30, 2023.

The unamortized basis differences included in the EMI pipeline balances were \$352.8 million \$345.9 million and \$363.2 million \$349.3 million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, respectively. These amounts represent differences in the Company's contributions to date and the Company's underlying equity in the separate net assets within the financial statements of the respective entities. Unamortized basis differences will be amortized into equity income over the useful lives of the underlying pipeline assets, which ranged from 20 years to 32 years as determined at the Closing of the ALTM business combination. There was capitalized interest of \$21.6 million \$24.5 million and \$13.4 million \$24.7 million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, respectively. Capitalized interest is amortized on a straight-line basis into equity income.

The following table presents the activity in the Company's EMIs for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Permian Highway		Gulf Coast Express		Total
	Pipeline LLC	Breviloba, LLC	Pipeline LLC	Breviloba, LLC	
(In thousands)					
<b>Balance at December 31, 2022</b>	\$ 1,474,800	\$ 455,057	\$ 451,483	\$ 434,580	\$ 2,381,340
Contributions	194,124	—	—	—	194,124
Distributions <sup>(1)</sup>	(134,095)	(32,515)	(45,074)	(211,684)	
Capitalized interest	8,605	—	—	—	8,605
Equity income, net <sup>(2)</sup>	94,885	23,772	28,171	—	146,828
<b>Balance at September 30, 2023</b>	<u>\$ 1,638,319</u>	<u>\$ 446,314</u>	<u>\$ 434,580</u>	<u>\$ 434,580</u>	<u>\$ 2,519,213</u>

	Permian Highway		Gulf Coast Express		Total
	Pipeline LLC	Breviloba, LLC	Pipeline LLC	Breviloba, LLC	
(In thousands)					
<b>Balance at December 31, 2023</b>	\$ 1,666,254	\$ 443,684	\$ 431,051	\$ 431,051	\$ 2,540,989
Contributions	3,273	—	—	—	3,273

Distributions <sup>(1)</sup>	(58,375)	(10,485)	(9,593)	(78,453)
Equity income, net <sup>(2)</sup>	43,768	7,670	9,031	60,469
<b>Balance at March 31, 2024</b>	<b>\$ 1,654,920</b>	<b>\$ 440,869</b>	<b>\$ 430,489</b>	<b>\$ 2,526,278</b>

(1) Distributions consisted of distributions from a return on investment of \$205.9 million \$77.2 million, which was included in cash flow from operating activities and distribution distributions from a return on investment of \$5.8 million \$1.2 million, which was included in cash flow from investing activities.

(2) For the nine three months ended September 30, 2023 March 31, 2024, net of amortization of basis differences and capitalized interests, which represents undistributed earnings, the amortization was \$5.6 \$2.0 million from PHP, \$0.5 \$0.2 million from Breviloba, LLC and \$4.7 \$1.6 million from GCX.

### Summarized Financial Information

The following table represents selected data for the Company's EMI pipelines (on a 100 percent basis) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023.

Three Months Ended September 30,														
2023					2022									
	Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC	Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC								
(In thousands)														
Revenues	\$ 99,923	\$ 51,002	\$ 91,901	\$ 100,114	\$ 53,120	\$ 91,800								
Operating income	65,549	25,170	68,531	69,851	22,205	70,870								
Net income	66,630	25,223	68,327	69,926	22,060	70,742								
Three Months Ended March 31,														
2024					2023									
	Permian Highway Pipeline LLC		Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC	Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC						
(In thousands)														
Nine Months Ended September 30,														
(In thousands)														
2023					2022									
(In thousands)														
Gulf Coast Express Pipeline LLC														
Permian Highway Pipeline LLC														
Breviloba, LLC														
(In thousands)														
(In thousands)														
Revenues	\$ 291,859	\$ 143,544	\$ 272,509	\$ 296,779	\$ 151,732	\$ 272,542								
Operating income	185,862	69,666	200,004	190,620	73,877	199,130								
Net income	Net income	190,662	70,086	205,818	190,446	73,711	198,732							

### 7. DEBT AND FINANCING COSTS

The following table summarizes the Company's debt obligations as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

March	March 31,	December 31,
31,	2024	2023

	December September 30, 31,	
	(In thousands)	
	(In thousands)	
	(In thousands)	
Unsecured term loan		
\$1.00 billion 2030 senior unsecured notes		
\$0.80 billion 2028 senior unsecured notes		
\$1.25 billion revolving line of credit		
	2023	2022
	(In thousands)	
\$2.0 billion unsecured term loan	\$ 2,000,000	\$2,000,000
\$1.0 billion 2030 senior unsecured notes	1,000,000	1,000,000
\$1.25 billion revolving line of credit	630,000	395,000
Total long-term debt	3,630,000	3,395,000
Less: Debt issuance costs, net <sup>(1)</sup>	(23,038)	(26,490)
Total long-term debt		
Total long-term debt, net		
Debt issuance costs, net <sup>(1)</sup>		
Unamortized debt premiums and discounts, net		
Total long-term debt, net	\$ 3,606,962	\$3,368,510

(1) Excludes unamortized debt issuance cost related to the revolving line of credit. Unamortized debt issuance cost associated with the revolving line of credit was \$5.7 million and \$5.4 million and \$6.9 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The current and non-current portion of the unamortized debt issuance costs related to the revolving credit facilities were included in the "Prepaid and other current assets" and the "Deferred charges and other assets" of the Condensed Consolidated Balance Sheets.

The table below presents the components of the Company's financing costs, net of capitalized interest:

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,			
		2024		2024		2024			
				Three Months Ended September 30,				Nine Months Ended September 30,	
				(In thousands)					
		2023		2022		2023		2022	
		(In thousands)				(In thousands)			
		(In thousands)							
Capitalized interest	Capitalized interest	\$	(6,731)	\$	(961)	\$	(13,775)	\$	(1,262)
Debt issuance costs	Debt issuance costs		1,546		1,515		4,601		8,053
Debt issuance costs									
Interest expense									
Interest expense	Interest expense		50,194		39,910		139,617		85,794
Total financing costs, net of capitalized interest	Total financing costs, net of capitalized interest	\$	45,009	\$	40,464	\$	130,443	\$	92,585
Total financing costs, net of capitalized interest									
Total financing costs, net of capitalized interest									

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, unamortized debt issuance costs associated with the **senior unsecured notes 5.875% Sustainability-Linked Senior Notes due 2030** (the "2030 Notes"), the **6.625% Sustainability-Linked Senior Notes due 2028** (the "2028 Notes") and the **unsecured term loan** were **\$23.0 million** **\$30.2 million** and **\$26.5 million** **\$31.5 million**, respectively, and unamortized debt premiums and discount, net, associated with the **2028 Notes** and the **unsecured term loan** were **\$0.4 million** and **\$0.3 million**, respectively.

#### Compliance with our Covenants

Both the revolving credit agreement with Bank of America, N.A. as administrative agent, and the term loan credit agreement with PNC Bank as administrative agent (the "Term Loan Credit Facility"), contain customary covenants and restrictive provisions which may, among other things, limit the Partnership's ability to create liens, incur additional indebtedness and make restricted payments **or and the Partnership's ability to liquidate, dissolve, consolidate with or merge into or with any other person**. The **5.875% Senior 2030 Notes due 2030** and the **2028 Notes** also contain covenants and restrictive provisions, which may, among other things, limit the Partnership's and its subsidiaries' ability to create liens to secure indebtedness and the Partnership's ability to consolidate or combine with or merge into any other person. **indebtedness**.

As of **September 30, 2023** **March 31, 2024**, the Partnership was in compliance with all customary and financial covenants.

#### Letters of Credit

Our \$1.25 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") scheduled to mature on or before June 8, 2027 can be used for letters of credit. Our obligations with respect to related letters of credit totaled \$12.6 million as of March 31, 2024 and December 31, 2023, respectively.

#### Fair Value of Financial Instruments

The fair value of the Company and its subsidiaries' consolidated debt as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$3.54** **\$3.53 billion** and **\$3.34 billion** **\$3.57 billion**, respectively. On **September 30, 2023** **March 31, 2024**, the senior unsecured notes' fair value was based on Level 1 inputs and the term loan Term Loan and Revolving Credit Facility and revolving line of credit's fair value was based on Level 3 inputs.

## 8. ACCRUED EXPENSES

The following table provides detail of the Company's current accrued expenses on **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

		March 31,	March 31, 2024	December 31, 2023	December 31, 2022
				September 30, 2023	December 31, 2022
				(In thousands)	(In thousands)
				(In thousands)	(In thousands)
				(In thousands)	(In thousands)
Accrued product purchases	Accrued product purchases			\$ 129,237	\$ 115,773
Accrued taxes	Accrued taxes			14,577	19,509
Accrued salaries, vacation, and related benefits	Accrued salaries, vacation, and related benefits			3,807	3,934
Accrued capital expenditures	Accrued capital expenditures			12,209	3,892
Accrued interest	Accrued interest			19,425	24,815
Accrued other expenses	Accrued other expenses			8,807	5,991
<b>Total current accrued expenses</b>		<b>\$ 188,062</b>		<b>\$ 173,914</b>	
<b>Total accrued expenses</b>					

Accrued product purchases mainly accrue the liabilities related to producer payments and any additional business-related miscellaneous fees we owe to third parties, such as transport or capacity fees as of **September 30, 2023** **March 31, 2024**.

## 9. LEASES

Components of lease costs are included in the Condensed Consolidated Statements of Operations as general and administrative expense for real-estate leases and operating expense for non-real estate leases. Total operating lease costs were \$11.7 million and \$9.9 million for the three months ended September 30, 2023 and 2022, respectively, and \$34.3 million and \$28.2 million for the nine months ended September 30, 2023 and 2022, respectively. Short-term lease costs were \$1.0 million and \$1.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$2.0 million and \$5.1 million for the nine months ended September 30, 2023 and 2022, respectively. Variable lease cost was immaterial for the three and nine months ended September 30, 2023 and 2022.

The following table presents other supplemental lease information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			

Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	\$ 11,721	\$ 9,510	\$ 34,092	\$ 27,797		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 211	\$ —	\$ 5,189	\$ 21,386		
Weighted-average remaining lease term — operating leases (in years)	1.62	1.73	1.62	1.73		
Weighted-average discount rate — operating leases	8.81 %	7.01 %	8.81 %	7.01 %		

## 10.9. EQUITY AND WARRANTS

### Redeemable Noncontrolling Interest — Common Unit Limited Partners

On February 22, 2022, the Company consummated a business combination with Altus pursuant to the Contribution Agreement. In connection with the closing, (i) Contributor contributed all the equity interests of the Contributed Entities to the Partnership; and (ii) in exchange for such contribution, the Partnership transferred to Contributor 50,000,000 common units representing limited partner interests in the Partnership and 50,000,000 shares of the Company's Class C Common Stock, par value \$0.0001 per share. Please refer to the "Transaction" above.

The redemption option of the Common Unit is not legally detachable or separately exercisable from the instrument and is non-transferable, and non-transferable; the Common Unit is redeemable at the option of the holder. Therefore, the Common Unit is accounted for as redeemable noncontrolling interest and classified as temporary equity on the Company's Condensed Consolidated Balance Sheets. During the first nine three months of 2023, 180,962 ended March 31, 2024, 146,250 common units were redeemed on a one-for-one basis for shares of Class A Common Stock and a corresponding number of shares of Class C Common Stock were cancelled. There were 94,089,038 93.9 million Common Units and an equal number of Class C Common Stock issued and outstanding as of September 30, 2023 March 31, 2024. The Common Units fair value was approximately \$3.21 billion \$3.62 billion as of September 30, 2023 March 31, 2024.

### Common Stock

As of September 30, 2023 March 31, 2024, there were 54,519,658 59.7 million and 94,089,038 93.9 million shares, respectively, of Class A Common Stock and Class C Common Stock issued and outstanding (collectively, "Common Stock").

### Public Warrants

As of September 30, 2023, there were 12,577,350 Public Warrants (as defined below) outstanding. Each whole public warrant entitles the holder to purchase one tenth of a share of Class A Common Stock at a price of \$115.00 per share (the "Public Warrants"). The Public Warrants expire on November 9, 2023 or upon redemption or liquidation. The Company may call the Public Warrants for redemption, in whole and not in part, at a price of \$0.01 per warrant with not less than 30 days' notice provided to the Public Warrant holders. However, this redemption right can only be exercised if the reported last sale price of the Class A Common Stock equals or exceeds \$180.00 per share for any 20-trading days within a 30-trading day period ending three business days prior to sending the notice of redemption to the Public Warrant holders.

### Private Placement Warrants

As of September 30, 2023, there were 6,364,281 Private Placement Warrants (as defined below) outstanding, of which Apache holds 3,182,140. The private placement warrants expire on November 9, 2023 and are identical to the Public Warrants discussed above, except (i) they will not be redeemable by the Company so long as they are held by the initial holders or their respective permitted transferees and (ii) they may be exercised by the holders on a cashless basis (the "Private Placement Warrants" and, together with the Public Warrants, the "Warrants").

The Company recorded a fair value of \$9 thousand for the Public Warrants and a fair value of \$6 thousand for the Private Warrants as of September 30, 2023 on the Condensed Consolidated Balance Sheets in "Other Current Liabilities". Refer to Note 11—Fair Value Measurement in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional discussion regarding valuation of the Warrants.

### Share Repurchase Program

In February 2023, the Board of Directors (the "Board") approved a share repurchase program ("Repurchase Program"), authorizing discretionary purchases of the Company's Class A Common Stock up to \$100.0 million in the aggregate. Repurchases may be made at management's discretion from time to time, in accordance with applicable securities laws, on the open market or through privately negotiated transactions and may be made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act. Privately negotiated repurchases from affiliates are also authorized under the Repurchase Program, subject to such affiliates' interest and other limitations. The repurchases will depend on market conditions and may be discontinued at any time without prior notice.

During the quarter ended September 30, 2023 March 31, 2024, the Company did not repurchase any of its Class A Common Stock under the Repurchase Program. During the first half of 2023,

### Dividend

On February 22, 2022, the Company repurchased 194,174 shares into a Dividend and Distribution Reinvestment Agreement (the "Reinvestment Agreement") with certain stockholders including BCP Raptor Aggregator, LP, BX Permian Pipeline Aggregator, LP, Buzzard Midstream LLC, APA Corporation, Apache, and certain individuals (each, a "Reinvestment Holder"). Under the Reinvestment Agreement, each Reinvestment Holder was obligated to reinvest a specified percent of its distributions on Common Units or dividends on shares of Class A Common Stock at a total cost in the Company's Class A Common Stock. The Reinvestment Agreement terminated automatically on March 8, 2024. As described in these Condensed Consolidated Financial Statements, as the context requires, dividends paid to holders of \$5.8 million. The Company retired all treasury stock Class A Common Stock and distributions paid to holders of Common Units may be referred to collectively as of September 30, 2023.

For more information regarding the 1% U.S. federal excise tax imposed on certain repurchases of stock by publicly traded U.S. corporations, please refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Share Repurchase Program," included in this Quarterly Report on Form 10-Q.

#### **Dividend**

On August 16, 2023 March 7, 2024, the Company made cash dividend payments of \$22.0 million \$39.5 million to holders of Class A Common Stock and Class C Common Units and \$88.1 million \$74.2 million was reinvested in shares of Class A Common Stock by Reinvestment Holders. Cash dividend payments to holders of Class A Common Stock and Class C Common Units totaled \$58.6 million and \$263.8 million was reinvested in shares of Class A Common Stock by Reinvestment Holders for the nine months ended September 30, 2023.

#### **11.10. FAIR VALUE MEASUREMENTS**

The Company's Condensed Consolidated Balance Sheets reflect a mixture of measurement methods for financial assets and liabilities. Public and private warrants, contingent liabilities and derivative financial instruments are reported at fair value. Other financial instruments are reported at historical cost or amortized cost on our Condensed Consolidated Balance Sheets. Long-term debt is primarily the other financial instrument for which carrying value could vary significantly from fair value. See Note 7—Debt and Financing Costs in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information.

Topic 820 establishes a framework for measuring fair value in U.S. GAAP, clarifies the definition of fair value within that framework and requires disclosures about the use of fair value measurements. Topic 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Topic 820 provides a framework for measuring fair value, establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of the counterparty's creditworthiness when valuing certain assets.

Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1 inputs). The three levels of the fair value hierarchy under Topic 820 are described below:

**Level 1 inputs:** Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for a financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 inputs:** Inputs, other than quoted prices in active markets, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

**Level 3 inputs:** Prices or valuations that require unobservable inputs which are both significant to the fair value measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Where available, fair value is based on observable market prices or inventory parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instrument's complexity.

The following tables present financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

March 31, 2024				March 31, 2024
Level	Level 1	Level 2	Level 3	Total
September 30, 2023				
Level	Level 1	Level 2	Level 3	
(In thousands)	(In thousands)	(In thousands)	(In thousands)	

Commodity		Commodity			
swap	swap	\$	—	\$ 2,252	\$ — \$ 2,252
Interest	Interest				
rate	rate				
derivatives	derivatives		—	21,827	— 21,827
Total	Total				
assets	assets	\$	—	\$ 24,079	\$ — \$ 24,079
Commodity		Commodity			
swaps	swaps	\$	—	\$ 5,245	\$ — \$ 5,245
Commodity swaps					
Commodity swaps					
Interest					
rate					
derivatives					
Public warrants		9	—	—	9
Private warrants		—	—	6	6
Total	Total				
liabilities	liabilities	\$	9	\$ 5,245	\$ 6 \$ 5,260
Total liabilities					
Total liabilities					
December 31, 2023			December 31, 2023		
Level					
1		Level 1		Level 2	
December 31, 2022		Level 1		Level 2	
Level		Level 1		Level 2	
(In thousands)		(In thousands)		(In thousands)	
(In thousands)		(In thousands)		(In thousands)	
(In thousands)		(In thousands)		(In thousands)	
Commodity		Commodity			
swap	swap	\$	—	\$ 4,288	\$ — \$ 4,288
Interest	Interest				
rate	rate				
derivatives	derivatives		—	2,675	— 2,675
Total	Total				
assets	assets	\$	—	\$ 6,963	\$ — \$ 6,963
Commodity		Commodity			
swaps	swaps	\$	—	\$ 5,718	\$ — \$ 5,718
Commodity swaps					
Commodity swaps					
Interest	Interest				
rate	rate				
derivatives	derivatives		—	8,328	— 8,328
Public warrants		50	—	—	50
Private warrants		—	—	38	38
Total	Total				
liabilities	liabilities	\$	50	\$ 14,046	\$ 38 \$ 14,134
Total liabilities					
Total liabilities					

Our derivative contracts consist of interest rate swaps and commodity swaps, swaps or collars. Valuation of these derivative contracts involves both observable publicly quoted prices and certain inputs to the credit valuation inputs that may not be readily observable in the marketplace. As such our derivative contracts are classified as Level 2 in the hierarchy. Refer to Note 12—11—Derivatives and Hedging Activities in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further discussion related to commodity swaps and interest rate derivatives.

The Long-term debt's carrying value of can vary from fair value. See Note 7—Debt and Financing Costs in the Company's Public Warrants are recorded at fair value based on quoted market prices, a Level 1 fair value measurement. The carrying value of the Company's Private Placement Warrants are recorded at fair value determined using an option pricing model, a Level 3 fair value measurement, which is calculated based on key assumptions related to expected volatility of the Company's common stock, an expected dividend yield, the remaining term of the warrants outstanding and the risk-free rate based on the U.S. Treasury yield curve in effect at the time of the valuation. These assumptions are estimated utilizing historical trends of the Company's common stock, Public Warrants and other factors. Change in fair value of the warrants since closing of the Transaction through reporting date was recorded in "Interest and other income" of the Condensed Consolidated Financial Statements of Operations.

for further information. The carrying amounts reported on the Condensed Consolidated Balance Sheets for the Company's remaining financial assets and liabilities are of approximate fair value due to their short-term nature. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

## 12.

### 11. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to certain risks arising from both its business operations and economic conditions, and it enters into certain derivative contracts to manage exposure to these risks. To minimize counterparty credit risk in derivative instruments, the Company enters into transactions with high credit-rating counterparties. The Company did not elect to apply hedge accounting to these derivative contracts and recorded the fair value of the derivatives on the Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

#### Interest Rate Risk

The Company manages market risks, including interest rate, liquidity and credit risk primarily by managing the amount, sources and duration of its debt funding and by using derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract.

In November 2022 and March 2023, As of March 31, 2024, the Company entered into three swap contracts with total notional amounts of \$2.25 billion \$1.70 billion maturing on May 31, 2025 that are effective on May 1, 2023 and mature on May 31, 2025. Under these swaps, the Company pays a fixed rate ranging from 4.38% to 4.49% 4.48% for the respective notional amounts.

The fair value or settlement value of the consolidated interest rate swaps outstanding are presented on a gross basis on the Condensed Consolidated Balance Sheets. Interest The following table presents the fair value of derivative assets and liabilities related to the interest rate swap derivative assets were \$21.8 million and \$2.7 million as of September 30, 2023 and December 31, 2022, respectively. Interest rate swap derivative liabilities were nil and \$8.3 million as of September 30, 2023 and December 31, 2022, respectively. contracts:

	March 31, 2024	December 31, 2023
	(In thousands)	
Derivatives assets - current	\$ 8,682	\$ 4,314
Total derivative assets	<hr/> <hr/> 8,682	<hr/> <hr/> 4,314
Derivatives liabilities - noncurrent	\$ 340	\$ 5,348
Total derivative liabilities	<hr/> <hr/> 340	<hr/> <hr/> 5,348

The Company recorded cash settlements on and change in fair value of the interest rate swap derivatives of \$4.7 million and nil for the three months ended September 30, 2023 and 2022, respectively, and \$7.1 million and \$11.3 million for the nine months ended September 30, 2023 and 2022, respectively, contracts in "Interest expense" of the Condensed Consolidated Statements of Operations. In addition, the Company recorded fair value adjustments of \$12.5 million and nil for the change in fair value of the The following table presents interest rate swap derivatives derivative activities for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$34.6 million and \$14.0 million for the nine months ended September 30, 2023 and 2022, respectively, in "Interest expense" of the Condensed Consolidated Statements of Operations. 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Cash settlements	\$ 3,952	\$ —

Favorable (unfavorable) fair value adjustment	\$	13,329	\$	(17,190)
-----------------------------------------------	----	--------	----	----------

#### Commodity Price Risk

The results of the Company's operations may be affected by the market prices of oil, natural gas and NGLs. A portion of the Company's revenue is directly tied to local natural gas, natural gas liquids and condensate prices in the Permian Basin and the U.S. Gulf Coast. Fluctuations in commodity prices also impact operating cost elements both directly and indirectly. Management regularly reviews the Company's potential exposure to commodity price risk and manages exposure of such risk through commodity hedge contracts.

During the past twelve months, the Company entered into multiple commodity swap and collar contracts based on the OPIS NGL Mont Belvieu prices for ethane, propane and butane, the Waha Basis index, the HSC index and the NYMEX WTI West Texas Intermediate Control index. These contracts are on various notional quantities of NGLs, natural gas and crude. Similarly, the Company has entered into various natural gas and crude basis spread swaps. These index swaps contracts are effective over the next 1 to 1726 months and are used to hedge against location price risk of the respective commodity resulting from supply and demand volatility and protect cash flows against price fluctuations.

The following table below presents detailed information of commodity swaps outstanding as of September 30, 2023 March 31, 2024 (in thousands, except volumes):

		September 30, 2023			March 31, 2024			March 31, 2024			March 31, 2024		
Commodity	Commodity	Instruments	Unit	Volume	Net Fair Value	Commodity	Unit	Volume	Net Fair Value	Commodity	Unit	Volume	Net Fair Value
Natural Gas	Natural Gas	Commodity Swap	MMBtus	3,010,000	\$ 89								
NGL	NGL	Commodity Swap	Gallons	124,179,300	(1,358)								
Crude	Crude	Commodity Swap	Bbl	171,900	(1,341)								
Crude Collar		Commodity Swap	Bbl	109,600	(537)								
Crude Collars													
Crude Basis Spread Swaps													
Natural Gas	Natural Gas												
Basis	Basis												
Spread	Spread	Commodity											
Swaps	Swaps	Swap	MMBtus	203,200	138								
Crude Gas Basis Spread Swaps		Commodity											
Swaps		Swap	Bbl	24,395,000	16								
					\$ (2,993)								
					\$								
					=								

The fair value or settlement value of the swaps outstanding are presented on a gross basis on the Condensed Consolidated Balance Sheets. Commodity swap The following table presents the fair value of derivative assets were \$2.3 million and \$4.3 million as of September 30, 2023 and December 31, 2022, respectively. Commodity swap derivative liabilities were \$5.2 million and \$5.7 million as of September 30, 2023 and December 31, 2022, respectively. related to commodity swaps:

	March 31,		December 31,	
	2024		2023	
	(in thousands)			
Derivatives assets - current	\$	1,582	\$	3,498
Derivative assets - noncurrent		134		165
Total derivative assets	\$	1,716	\$	3,663
Derivative liabilities - current	\$	14,811	\$	1,734
Derivatives liabilities - noncurrent		78		15

Total derivative liabilities	\$ 14,889	\$ 1,749
------------------------------	-----------	----------

The Company recorded cash settlements and fair value adjustments on commodity swap derivatives in "Product revenue" of \$0.2 million and nil in the Consolidated Statements of Operations. The following table presents commodity derivative activities for the three months ended September 30, 2023, March 31, 2024 and 2022, respectively, and \$8.0 million and \$0.2 million for the nine months ended September 30, 2023 and 2022, respectively, in "Product revenue" of the Condensed Consolidated Statements of Operations. In addition, the Company recorded fair value adjustments of \$8.1 million and nil for the three months ended September 30, 2023 and 2022, respectively, and \$6.5 million and nil for the change in fair value of commodity swap derivatives for the nine months ended September 30, 2023 and 2022, respectively, in "Product revenue" of the Condensed Consolidated Statements of Operations. 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Cash settlements	\$ (198)	\$ 974
(Unfavorable) favorable fair value adjustment	\$ (15,286)	\$ 5,420

### 13.12. SHARE-BASED COMPENSATION

Prior to the Closing, the Company issued incentive units, which included performance and service conditions, to certain employees and Board members. The units consisted of various Class A-1, Class A-2A and Class A-3 units. These shares, restricted stock units derived value from the Company's certain wholly owned subsidiaries. Class A-1 ("RSUs") and A-2 performance stock units would have vested upon either (i) the date of consummation of a change in control or (ii) the date that is 1-year following the consummation ("PSUs") to members of the initial public offering Board of Directors (the Company (or its successor). Class A-3 units would have vested upon a change in control, if "Board" and employees under the participants were employed at the time of the event, or upon termination of the participant by the Company. Kinetik Holdings Inc. 2019 Omnibus Incentive Plan (the "2019 Plan").

Immediately upon Closing, all outstanding Class A-1 and Class A-2 units were cancelled and exchanged for 5,300,000 shares (the "Class A Shares"), post-Stock Split, of the Company's Class A Common Stock. These

**Class A Shares are issued and outstanding as they were distributed pro rata to all holders of Class A-1 and Class A-2 units by the Common Unit limited partners from the 50,000,000 common units, pre-Stock-Split, that such limited partners received upon the Closing. The Common Unit limited partners redeemed Common Units needed for the Class A C Shares distribution upon the Closing.**

The Class A Shares and Class C Shares were granted at the Closing of the Altus Midstream Company ("ALTM") business combination upon conversion of previously outstanding incentive units. These shares were held in escrow and will vest over three to four years. Similarly, These units are recorded at grant-date fair value, which was determined to be fair value on the closing date of the business combination, and compensation expense is recognized on a straight-line basis over the vesting period within "General and Administrative Expenses" of the Condensed Consolidated Statements of Operations in accordance with FASB ASC 718, Compensation - Stock Compensation. Forfeitures are recognized as they occur. In addition, upon the Closing of the ALTM business combination, 395,416 performance Class A-3 units A awards were exchanged for approximately 326,000, post Stock Split, Class C Common Stock and Common Units (the "Class C Shares") and granted that will vest over a four years. year service period and upon certain shareholder's selling of the Company's Class A Common Stock at defined return levels. As the performance outcome is not estimable, no compensation expense is recorded for these performance awards for the three months ended March 31, 2024 and 2023.

The Company also table below summarizes Class A Share and Class C Share activities for the three months ended March 31, 2024:

	Number of Shares	Weighted Avg Grant-Date Fair Market Value Per Unit
Outstanding and unvested shares at December 31, 2023	5,444,488	\$ 28.91
Vested	16,404	31.18
Forfeited	796	31.18
Outstanding and unvested shares at March 31, 2024	5,427,288	\$ 28.90

Table below summarizes aggregate intrinsic value (market value at vesting date) and grant-date fair value of vested Class A Shares for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Aggregate intrinsic value of vested Class A Shares	\$ 654	\$ —
Grant-date fair value of vested Class A Shares	\$ 511	\$ —

No vesting or forfeiture occurred for Class C Shares for the three months ended March 31, 2024. No vesting or forfeiture occurred for Class A or Class C Shares for the three months ended March 31, 2023. As of March 31, 2024, there were \$61.6 million of unrecognized compensation costs related to unvested Class A Shares and Class C Shares. These costs are expected to be recognized over a weighted average period of 1.55 years.

#### Restricted Stock Units

Certain RSUs were granted in the first quarter of 2024 to certain executives and employees under the 2019 Plan. Granted RSUs are subject to various service vesting requirements and may be settled only for shares of Class A Common Stock on a one-for-one basis contingent upon continued employment. RSUs are recorded at grant-date fair value and compensation expense is recognized on a straight-line or graded straight-line basis over the vesting period within "General and Administrative Expenses."

The table below summarizes RSU activities for the three months ended March 31, 2024:

	Number of Shares <sup>(1)</sup>	Weighted Avg Grant-Date Fair Market Value Per Unit <sup>(1)</sup>
Outstanding and unvested shares at December 31, 2023	435,220	\$ 31.15
Granted	585,340	35.17
Vested	290,708	34.24
Forfeited	4,039	32.44
Outstanding and unvested shares at March 31, 2024	<u>725,813</u>	<u>\$ 33.30</u>

(1) Number of shares and weighted average fair market value per share here include RSUs issued approximately 76,000, post Stock Split, replacement restricted share awards ("Replacement Awards") to new employees that transitioned from ALTM as part of the Transaction, merger as replacement awards.

Table below summarizes aggregate intrinsic value (market value at vesting date) and grant-date fair value of RSUs for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
	(In thousands)	
Aggregate intrinsic value of vested RSUs	\$ 10,148	\$ 6,700
Grant-date fair value of vested RSUs	\$ 9,954	\$ 6,188

As of March 31, 2024, there were \$18.5 million of unrecognized compensation costs related to the RSUs. These costs are expected to be recognized over a weighted average period of 2.03 years.

#### Performance Stock Units

The Company granted PSUs pursuant to the 2019 Plan to certain of its employees and executives in the first quarter of 2024. These PSUs vest and become earned upon the achievement of certain performance goals based on the Company's annualized absolute total stockholder return and the Company's relative total stockholder return as compared to the performance peer group during the performance period, if the PSUs holders also satisfy the continued employment requirement during the performance period. Depending on the results achieved during the three-year performance period, the actual number of Class A Common Stock that a holder of the PSUs earns at the end of the performance period may range from 0% to 200% of the target number of PSUs granted. The fair value of the PSUs is determined using a Monte Carlo simulation at the grant date. The Company recognized compensation expense for all PSUs on a straight-line basis over the performance period. Any PSU not earned at the end of the performance period will be forfeited.

The table below summarizes PSU activities for the three share types established months ended March 31, 2024:

	Number of Shares	Weighted Avg Grant-Date Fair Market Value Per Unit
Granted in 2024	198,703	\$ 36.76
Outstanding and unvested shares at March 31, 2024	<u>198,703</u>	<u>\$ 36.76</u>

No vesting or forfeiture occurred for PSUs for the three months ended March 31, 2024.

The table below presents a new measurement date. The summary of the grant-date fair value assumptions used to value the PSUs on grant date:

	March 2024
Grant-date fair value per unit	\$36.76
Beginning average price	\$32.84
Risk-free interest rate	4.21%
Volatility factor	37%
Expected term	2.82 years

As of March 31, 2024, there were \$7.1 million of unrecognized compensation costs related to the PSUs. These costs are expected to be recognized over a weighted average period of 2.75 years.

With respect to above Class A Shares, Class C Shares, RSUs and Replacement Awards were valued based on the Company's publicly quoted stock price on the measurement date, which was the Closing Date of the Transaction.

During the first quarter of 2023, pursuant to the Company's 2019 Omnibus Compensation Plan, as amended from time to time, the Company granted approximately 370,000 restricted stock units ("RSUs") to its employees with cliff vesting on January 1, 2026 and approximately 181,000 RSUs to employees that were vested immediately. The 181,000 RSUs that vested immediately were granted to employees who received their bonus in Company stock in lieu of cash bonus awards. During the second quarter of 2023, the Company granted approximately 16,000 RSUs to certain members of the Board and vested immediately on grant date.

With respect to the above grants, PSUs, the Company recorded compensation expenses of \$12.5 million \$22.6 million and \$12.7 million \$17.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$43.3 million and \$31.0 million for the nine months ended September 30, 2023 and 2022, respectively, based on a straight-line amortization of the associated awards' fair value over the respective vesting life of the shares 2023, respectively.

#### 14.13. INCOME TAXES

The Company is subject to U.S. federal income tax and the Texas margin tax, state taxes. Income tax expense included in the condensed consolidated financial statements in this Quarterly Report on Form 10-Q is as follows:

		Three Months Ended				Nine Months Ended	
		March 31,				September 30,	
		Three Months Ended				September 30,	
		March 31,					
		2024					
		2024					
		2024					
		Three Months Ended		Nine Months Ended		September 30,	
		September 30,					
		(In thousands)					
		2023		2022		2023	
		(In thousands)				2022	
		(In thousands)		(In thousands)		(In thousands)	
Income before income taxes		Income before income taxes		\$ 44,434		\$ 50,828	
Income tax expense		Income tax expense		\$ 1,303		\$ 1,406	
Income tax expense							
Effective tax rate		Effective tax rate		2.93 %		2.77 %	
Effective tax rate						1.68 %	
Effective tax rate						1.10 %	

The effective tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024** was lower than the statutory rate mainly due to the impact of tax attributable to noncontrolling interests related to the Common Unit limited partners and valuation allowance partners.

#### 15.14. NET INCOME PER SHARE

The computation of basic and diluted net income per share for the periods presented in the condensed consolidated financial statements is shown in the tables below.

	Three Months Ended		Nine Months Ended	
	March 31,		September 30,	
	Three Months Ended		September 30,	
	March 31,		September 30,	
	2024	2024	2023	2022
	(In thousands, except per share amounts)			
	(In thousands, except per share amounts)			
	(In thousands, except per share amounts)			
Net income				
attributable to Class				
A common				
shareholders				
Less: Net income available to				
participating unvested restricted				
Class A common shareholders <sup>(1)</sup>				
Less: Net income available to				
participating unvested restricted				
Class A common shareholders <sup>(1)</sup>				
Less: Net income available to				
participating unvested restricted				
Class A common shareholders <sup>(1)</sup>				
Total net income attributable to Class				
A common shareholders				
Total net income attributable to Class				
A common shareholders				
Total net income attributable to Class				
A common shareholders				
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(In thousands, except per share amounts)			
Net income attributable to Class A				
common shareholders	\$ 15,580	\$ 14,936	\$ 42,030	\$ 25,239
Less: Net income available to				
participating unvested restricted				
Class A common shareholders <sup>(1)</sup>	(4,414)	(4,174)	(12,996)	(8,358)
Excess preferred carrying amount				
over consideration paid <sup>(2)</sup>	—	32,900	—	32,900
Total net income attributable to Class				
A common shareholders	\$ 11,166	\$ 43,662	\$ 29,034	\$ 49,781
Weighted average shares				
outstanding - basic <sup>(3)</sup>				
Weighted average shares				
outstanding - basic <sup>(3)</sup>	53,340	41,816	50,464	40,042
Dilutive effect of unvested Class A				
common shares <sup>(4)(5)</sup>	123	39	255	33

Weighted average shares outstanding - diluted	53,463	41,855	50,719	40,075
Weighted average shares outstanding - basic <sup>(2)</sup>				
Weighted average shares outstanding - basic <sup>(2)</sup>				
Dilutive effect of unvested Class A common shares <sup>(3)</sup>				
Dilutive effect of unvested Class A common shares <sup>(3)</sup>				
Dilutive effect of unvested Class A common shares <sup>(3)</sup>				
Weighted average shares outstanding - diluted <sup>(2)(4)</sup>				
Weighted average shares outstanding - diluted <sup>(2)(4)</sup>				
Weighted average shares outstanding - diluted <sup>(2)(4)</sup>				
Net income available per common share - basic				
Net income available per common share - basic				
Net income available per common share - basic	\$ 0.21	\$ 1.04	\$ 0.58	\$ 1.24
Net income available per common share - diluted	\$ 0.21	\$ 1.04	\$ 0.57	\$ 1.24
Net income available per common share - diluted				
Net income available per common share - diluted				

(1) Represents dividends paid to unvested **restricted Class A Shares**.

(2) **Weighted average** Class A common **shareholders**.

(2) Represented excess of carrying value of redeemable noncontrolling interest Preferred Units over redemption price at redemption. For further detail, refer to **Note 12—Series A Cumulative Redeemable Preferred Units** in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022.

(3) Share and per share amounts **shares** have been retrospectively restated due to reflect the Company's reverse stock split, which was effected June 8, 2022.

(4) The **bonus** effect of an assumed exchange of the outstanding public and private warrants for shares of Class A **Common Stock** would have been anti-dilutive common shares issued under the Reinvestment Agreement for all periods presented in which the **public and private warrants** Class A common shares were outstanding.

(5) (3) Includes dilutive effect from both RSUs and PSUs on unvested Class A common shares.

(4) The effect of an assumed exchange of outstanding Common Units (and the cancellation of a corresponding number of shares of outstanding Class C Common Stock) would have been anti-dilutive for all periods presented in which the Common Units were outstanding.

## 16.15. COMMITMENTS AND CONTINGENCIES

Accruals for loss contingencies arising from claims, assessments, litigation, environmental and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were no accruals for loss contingencies.

### Litigation

The Company is a party to various legal actions arising in the ordinary course of its business. In accordance with FASB ASC 450, *Contingencies*, the Company accrues reserves for outstanding lawsuits, claims and proceedings when a loss contingency is probable and can be reasonably estimated. The Company estimates the amount of loss contingencies using current available information from legal proceedings, advice from legal counsel and available insurance coverage. Due to the inherent subjectivity of the assessments and unpredictability of the outcomes of the legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, the Company's exposure There were no litigation related accrued reserves as of March 31, 2024 and ultimate losses may be different than the amounts accrued. December 31, 2023.

The Company has entered into litigation with two a third parties party to collect receivables totaling \$19.6 million that \$11.6 million and is waiting on settlement of \$8.0 million in receivables from another counterparty related to prior litigation the Company had previously entered into and subsequently dropped. These receivables remain outstanding from the Winter Storm Uri during February of 2021. Given the counterparties' sufficient creditworthiness and the valid claims that we hold, no allowance has currently been established for these items as we have legally enforceable agreements with these parties.

#### Environmental Matters

As an owner of infrastructure assets with rights to surface lands, the The Company is subject to various local, state, and federal laws and regulations relating to discharge various environmental matters during the ordinary course of materials into business. Although we believe our operations are in substantial compliance with applicable environmental laws and protection relations, risks of the environment. These additional costs and liabilities are inherent in our operations. Moreover, changes in environmental laws and regulations may, among other things, impose liability on the Company for the cost of pollution clean-up resulting from operations occur frequently, and subject any changes that result in more stringent or costly requirements could require the Company to liability for pollution damages. make significant expenditures to attain and maintain compliance or may otherwise have a material adverse effect on its operations, competitive position, or financial condition. The Company is not aware of any environmental claims existing as of September 30, 2023 March 31, 2024, that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity.

#### Contingent Liabilities

##### Permian Gas Acquisition

As part of the acquisition of Permian Gas on June 11, 2019, consideration included a contingent liability arrangement with PDC Permian, Inc. ("PDC"). The arrangement requires additional monies to be paid by the Company to PDC on a per Mcf basis if the actual annual Mcf volume amounts exceed forecasted annual Mcf volume amounts starting in 2020 and continuing through 2029. The total monies paid under this arrangement are capped at \$60.5 million. Amounts million and are payable on an annual basis over the earn-out period. Based on current forecasts and discussions with PDC, management revalues this contingent liability with updated assumptions at each reporting period. PDC's actual annual Mcf volume did not exceed the incentive rate forecast volume during the past three four years, and is not expected to over the Company did not expect PDC's actual annual Mcf volume amounts to exceed forecasted amounts as of September 30, 2023; next six years; therefore, the estimated fair value of the contingent consideration liability was nil as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

##### Original Altus Transaction

As part of the Transaction, the Company assumed contingent liabilities of \$4.5 million related to earn-out consideration of up to 2,500,000 shares of Class A Common Stock, which was part of the original Altus transaction, as follows:

- 1,250,000 shares if the per share closing price of the Class A Common Stock as reported by the New York Stock Exchange ("NYSE") during any 30-trading-day period ending prior to November 9, 2023 is equal to or greater than \$140.00 for any 20 trading days within such 30-trading-day period.
- 1,250,000 shares if the per share closing price of the Class A Common Stock as reported by the NYSE during any 30-trading-day period ending prior to November 9, 2023 is equal to or greater than \$160.00 for any 20 trading days within such 30-trading-day period.

Pursuant to ASC 805, this earn-out consideration was a pre-existing contingency and accounted for as an assumed liability to the acquirer on the acquisition date. Immediately subsequent to the Closing, the Company evaluated the earn-out consideration classification in accordance with ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815, *Derivatives and Hedging* ("ASC 815"). The Company determined the earn-out consideration to be classified as equity based on the settlement provision.

#### Letters of Credit

Our \$1.25 billion senior unsecured Revolving Credit Facility maturing on June 8, 2027 can be used for letters of credit. Our obligations with respect to related letters of credit totaled \$12.6 million and nil as of September 30, 2023 and December 31, 2022, respectively.

#### **17.16. SEGMENTS**

Our two operating segments represent the Company's segments for which discrete financial information is available and is utilized on a regular basis by our chief operating decision maker ("CODM") CODM to make key operating decisions, assess performance and allocate resources. Our Chief Executive Officer is the CODM. These segments are represent strategic business units with differing products and services. No operating segments have been aggregated to form the reportable segments. Therefore, our two operating segments represent our reportable segments. The activities of each of our reportable segments from which the Company earns revenues and incurs expenses are described below:

- Midstream Logistics: The Midstream Logistics segment operates under three streams, 1) gas gathering and processing, 2) crude oil gathering, stabilization and storage services and 3) produced water gathering and disposal.

- Pipeline Transportation: The Pipeline Transportation segment consists of equity investment interests in four Permian Basin pipelines that access various points along the Texas U.S. Gulf Coast, as well as Kinetik NGL Pipeline and Delaware Link Pipeline Pipelines. The current operating pipelines transport crude oil, natural gas and NGLs.

Our Chief Executive Officer, who is the CODM, uses Segment Adjusted EBITDA, a non-GAAP measure, to measure profitability and allocate resources among segments. Segment Adjusted EBITDA, a non-GAAP measure, is defined as segment net earnings adjusted to exclude interest expense, income tax expense, depreciation and amortization, the proportionate effect of these same items for our EMI pipelines and other non-recurring items. The CODM considers budget-to-actual and forecast-to-actual variances on a monthly basis when making decisions about allocating capital and personnel to the segments.

The Midstream Logistics segment accounts for more than 99% of the Company's operating revenues, cost of sales (excluding depreciation and amortization), and operating expenses and more than 93% of the ad valorem expenses. The Pipeline Transportation segment contains all of the Company's equity method investments, which contribute more than 99% approximate 92% of the segment's Adjusted EBITDA. Corporate and Other contains the Company's executive and administrative functions, including 81% 86% of the Company's general General and administrative expenses Administrative Expenses and all of the Company's debt service costs.

The following tables present the reconciliation of the non-GAAP measure Segment Adjusted EBITDA to the GAAP measure segment profit measure income (loss) before income taxes as of and for the three months period ended March 31, 2024 and nine months periods ended September 30, 2023 and 2022:2023:

		Corporate			
		Midstream	Pipeline	and	
		Logistics	Transportation	Other <sup>(1)</sup>	Consolidated
(In thousands)					
<b>For the Three Months Ended</b>					
<b>September 30, 2023</b>					
Segment net income (loss)					
including noncontrolling interests	\$ 56,583	\$ 50,598	\$ (64,050)	\$ 43,131	
		Midstream	Logistics		
		Midstream	Logistics		
		Midstream	Logistics		
(In thousands)					
<b>For the Three</b>					
<b>Months Ended</b>					
<b>March 31, 2024</b>					
Segment income (loss) before income taxes					
Segment income (loss) before income taxes					
Segment income (loss) before income taxes					
Add back:	Add back:				
Interest expense	Interest expense	12	—	44,997	45,009
Income tax expense		1	—	1,302	1,303
Interest expense					
Interest expense					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	69,456	473	6	69,935
Contract assets amortization	Contract assets amortization	1,655	—	—	1,655
Proportionate EMI EBITDA	Proportionate EMI EBITDA	—	78,585	—	78,585
Share-based compensation	Share-based compensation	—	—	12,502	12,502

Loss on disposal of assets	Loss on disposal of assets	2,927	—	—	2,927
Unrealized loss on derivatives		8,259	—	—	8,259
Commodity hedging unrealized loss					
Integration costs	Integration costs	21	—	—	21
Acquisition transaction costs		—	—	378	378
Other one-time costs or amortization	Other one-time costs or amortization	1,529	—	1,133	2,662
Warrant valuation adjustment		—	—	4	4
Other one-time costs or amortization					
Other one-time costs or amortization					
Deduct:					
Deduct:	Deduct:				
Interest income	Interest income	—	—	293	293
Interest income					
Interest income					
Equity income from unconsolidated affiliates	Equity income from unconsolidated affiliates	—	50,754	—	50,754
Segment adjusted EBITDA <sup>(3)</sup>	\$ 140,443	\$ 78,902	\$ (4,021)	\$ 215,324	
Equity income from unconsolidated affiliates					
Equity income from unconsolidated affiliates					
Segment					
Adjusted EBITDA <sup>(2)</sup>					

	Midstream Logistics	Transportation	Pipeline		Consolidated
			Corporate and Other <sup>(1)</sup>	(In thousands)	
<b>For the Three Months Ended September 30, 2022</b>					
Segment net income (loss) including noncontrolling interests	\$ 65,525	\$ 44,750	\$ (60,853)	\$ 49,422	
Add back:					
Interest expense	7	—	40,457	40,464	
Income tax expense	—	—	1,406	1,406	
Depreciation and amortization	64,655	345	5	65,005	
Contract assets amortization	448	—	—	448	
Proportionate EMI EBITDA	—	78,357	—	78,357	
Share-based compensation	—	—	12,661	12,661	
Loss on disposal of assets	3,946	—	—	3,946	
Integration costs	14	81	2,243	2,338	
Acquisition transaction costs	5	—	57	62	
Other one-time costs or amortization	2,945	162	645	3,752	

Deduct:						
Gain on embedded derivative	—	—	488	488		
Equity income from unconsolidated affiliates	—	45,003	—	45,003		
Segment adjusted EBITDA <sup>(3)</sup>	\$ 137,545	\$ 78,692	\$ (3,867)	\$ 212,370		

	Midstream Logistics	Pipeline Transportation	Corporate and Other <sup>(1)</sup>	Consolidated
	(In thousands)			
<b>For the Nine Months Ended September 30, 2023</b>				
Segment net income (loss) including noncontrolling interests	\$ 163,794	\$ 146,524	\$ (191,220)	\$ 119,098
Add back:				—
Interest expense	32	—	130,411	130,443
Income tax expense	—	—	2,030	2,030
Depreciation and amortization	206,855	1,398	18	208,271
Contract assets amortization	4,965	—	—	4,965
Proportionate EMI EBITDA	—	224,933	—	224,933
Share-based compensation	—	—	43,340	43,340
Loss on disposal of assets	15,166	—	—	15,166
Unrealized loss on derivatives	616	—	—	616
Integration costs	29	—	956	985
Acquisition transaction costs	33	—	615	648
Other one-time costs or amortization	5,310	—	2,235	7,545
Deduct:				
Interest income	—	—	314	314
Warrant valuation adjustment	—	—	73	73
Equity income from unconsolidated affiliates	—	146,828	—	146,828
Segment adjusted EBITDA <sup>(3)</sup>	\$ 396,800	\$ 226,027	\$ (12,002)	\$ 610,825

	Midstream Logistics	Midstream Logistics	Pipeline Transportation	Corporate and Other <sup>(1)</sup>	Consolidated
	Midstream Logistics	Pipeline and Transportation	Other <sup>(1)</sup>	Consolidated <sup>(2)</sup>	
	(In thousands)	(In thousands)	(In thousands)	(In thousands)	
<b>For the Three Months Ended March 31, 2023</b>					
Segment income (loss) before income taxes					
Segment income (loss) before income taxes					
Segment income (loss) before income taxes					
Add back:					
Interest expense					
Interest expense					
Interest expense					

(In thousands)					
<b>For the Nine Months Ended</b>					
<b>September 30, 2022</b>					
Segment net income (loss)					
including noncontrolling interests	\$ 89,274	\$ 120,162	\$ (7,177)	\$ 202,259	
Add back:					
Interest expense (income)	47,411	(664)	45,838	92,585	
Income tax expense (benefit)	457	(39)	1,826	2,244	
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	192,007	597	5	192,609	
Contract assets amortization	1,344	—	—	1,344	
Commodity hedging unrealized gain					
Proportionate EMI EBITDA	Proportionate EMI EBITDA	—	190,438	—	190,438
Share-based compensation	Share-based compensation	—	—	30,966	30,966
Loss (gain) on disposal of assets		12,636	—	(34)	12,602
Loss (gain) on debt extinguishment		27,983	(8)	—	27,975
Loss on disposal of assets					
Integration costs	Integration costs	933	81	8,998	10,012
Acquisition transaction costs	Acquisition transaction costs	9	—	6,403	6,412
Other one-time costs or amortization	Other one-time costs or amortization	8,865	162	1,942	10,969
Deduct:	Deduct:				
Gain on redemption of mandatorily redeemable Preferred units		—	—	9,580	9,580
Gain on embedded derivative		—	—	89,050	89,050
Warrant valuation adjustment					
Warrant valuation adjustment					
Warrant valuation adjustment					
Equity income from unconsolidated affiliates	Equity income from unconsolidated affiliates	—	120,706	—	120,706
Segment adjusted EBITDA <sup>(3)</sup>	\$ 380,919	\$ 190,023	\$ (9,863)	\$ 561,079	
Segment Adjusted EBITDA <sup>(2)</sup>					

(1) Corporate and Other represents those results that: (i) are not specifically attributable to a reportable segment; (ii) are not individually reportable or (iii) have not been allocated to a reportable segment for the purpose of evaluating their performance, including certain general General and administrative expense Administrative Expense items. Items included here to reconcile operating segments profit and loss with the Company's

consolidated profit and loss.

(2) Results do not include legacy ALTM prior to February 22, 2022. Refer to Note 1 —Description of the Organization and Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, for further information on the Company's basis of presentation.

(3) **Adjusted Segment adjusted EBITDA** is a non-GAAP measure; please see *Key Performance Metrics* in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q, for a definition and reconciliation to the most directly comparable GAAP measure, of segment adjusted EBITDA.

The following tables present the revenue for the individual operating segments for the three and nine month periods ended **September 30, 2023** **March 31, 2024** and **2022: 2023**:

	Midstream	Logistics	Midstream Logistics	Pipeline Transportation	Elimination	Consolidated
	Midstream	Pipeline				
	Logistics	Transportation	Consolidated			
(In thousands)						
<b>For the Three Months</b>						
<b>Ended September 30, 2023</b>						
(In thousands)						
<b>For the</b>						
<b>Three</b>						
<b>Months</b>						
<b>Ended</b>						
<b>March 31,</b>						
<b>2024</b>						
Revenue						
Revenue						
Revenue	Revenue	\$ 324,863	\$ 766	\$ 325,629		
Other	Other					
revenue	revenue	4,670	2	4,672		
Intersegment						
revenue <sup>(1)</sup>						
Total	Total					
segment	segment					
operating	operating					
revenue	revenue	\$ 329,533	\$ 768	\$ 330,301		
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						
Midstream						
Logistics						

For the Three Months Ended March 31, 2023					
Revenue					
Revenue					
Revenue	Revenue	\$ 320,667	\$ 733	\$ 321,400	
Other revenue	Other revenue	3,774	2	3,776	
Total segment operating revenue	Total segment operating revenue	\$ 324,441	\$ 735	\$ 325,176	

						Midstream Logistics	Pipeline Transportation	Consolidated
						(In thousands)		
<b>For the Nine Months Ended September 30, 2023</b>								
Revenue		\$	894,669	\$	2,190	\$	896,859	
Other revenue			10,679		6		10,685	
Total segment operating revenue		\$	905,348	\$	2,196	\$	907,544	

(1) The Company accounts for intersegment sales at market prices, while it accounts for asset transfers at book value. Intersegment revenue is eliminated at consolidation.

						Midstream Logistics	Pipeline Transportation	Consolidated
						(In thousands)		
<b>For the Nine Months Ended September 30, 2022</b>								
Revenue		\$	907,771	\$	733	\$	908,504	
Other revenue			9,487		6		9,493	
Total segment operating revenue		\$	917,258	\$	739	\$	917,997	

The following table presents total assets for each operating segment as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

		March		March 31,		December 31,	
		31,	2024	2024		2023	
		December					
		September 30,	31,				
		2023	2022				
		(In thousands)		(In thousands)		(In thousands)	
		(In thousands)		(In thousands)		(In thousands)	
Midstream Logistics	Midstream Logistics	\$ 3,610,231	\$ 3,486,948				
Pipeline Transportation	Pipeline Transportation	2,641,792	2,414,829				
Segment total assets	Segment total assets	6,252,023	5,901,777				
Corporate and other	Corporate and other	33,993	17,934				
Total assets	Total assets	\$ 6,286,016	\$ 5,919,711				

(1) Includes investment in unconsolidated affiliates of \$2.52 billion \$2.53 billion and \$2.38 billion \$2.54 billion as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

## 18.17. SUBSEQUENT EVENTS

On November 1, 2023 May 9, 2024, the Company entered into a Membership Interest Purchase Agreement (the "Durango MIPA") with Durango Midstream LLC, an affiliate of Morgan Stanley Energy Partners (the "Durango Seller"), and the Partnership, pursuant to which the Partnership has agreed to purchase all of the membership interests of Durango Permian, LLC ("Durango") from Durango Seller for an aggregate purchase price of approximately \$765.0 million (the "Durango Acquisition"), consisting of \$315.0 million of cash to be paid at closing, approximately 3.8 million common units in the Partnership and an equivalent number of shares of Class C Common Stock to be issued at closing and approximately 7.7 million common units in the Partnership and an equivalent number of shares of Class C Common Stock to be issued on July 1, 2025. Durango Seller is also entitled to a \$75.0 million earn out in cash contingent upon the Kings Landing gas processing complex in Eddy County, New Mexico (the "Kings Landing Project"), which is currently under construction, being placed into service (the "Kings Landing Earnout"). The Kings Landing Earnout is subject to certain adjustments for capital costs associated with the Kings Landing Project. The Durango Acquisition is expected to close in the second quarter of 2024, subject to satisfaction of customary closing conditions, including regulatory approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR").

Also on May 9, 2024, the Company entered into a Purchase and Sale Agreement (the "GCX Purchase Agreement") with GCX Pipeline, LLC, an affiliate of ArcLight Capital Partners, LLC (the "GCX Buyer"), pursuant to which the Company has agreed to sell its 16% membership interest in GCX to the GCX Buyer for a total purchase price of \$540.0 million, consisting of \$510.0 million of cash (subject to customary adjustments) and an additional \$30.0 million earn out in cash upon final investment decision on a capacity expansion project. The transactions pursuant to the GCX Purchase Agreement are expected to close in the second quarter of 2024, subject to customary closing conditions.

On April 18, 2024, the Board declared a cash dividend of \$0.75 per share on the Company's Class A Common Stock which will be payable to stockholders of record as of November 13, 2023 April 29, 2024 on November 22, 2023 May 9, 2024. The Company, through its ownership of the general partner of the Partnership, declared a distribution of \$0.75 per Common Unit from the Partnership to the holders of Common Units, which will be payable on November 22, 2023 May 9, 2024. Core Shareholders will reinvest 100%.

On April 2, 2024, Kinetik Receivables LLC ("Kinetik Receivables"), a bankruptcy remote special purpose entity formed as a direct subsidiary of dividends received on Class C Common Units based on the Dividend and Distribution Reinvestment Agreement (the "Reinvestment Agreement" Partnership, which is a subsidiary of the Company, entered into an accounts receivable securitization facility with an initial facility limit of \$150.0 million ("A/R Facility").

On November 9, 2023, all which has a scheduled termination date of April 1, 2025 with renewal options. Pursuant to the terms of the Company's 12,577,350 Public Warrants A/R Facility, Kinetik Receivables acquires certain receivables from the Partnership and 6,364,281 Private Placement Warrants expired. No warrant was exercised prior other subsidiaries of the Company and makes further sales of such receivables to expiration, certain purchasers. The net proceeds of the A/R Facility were used, together with cash on hand, to repay a portion of the outstanding borrowings under the existing Term Loan Credit Facility, lowering the remaining balance to \$1.00 billion. As a result, the maturity of the Term Loan Credit Facility extended to December 8, 2026.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis addresses the results of our operations for the three and nine month periods ended September 30, 2023 March 31, 2024, as compared to our results of operations for the same periods in 2022. In addition, 2023. Please read the following discussion and analysis addresses of our liquidity, financial condition and other matters for these periods. The business combination of Altus Midstream Company ("ALTM") and BCP Raptor Holdco, LP ("BCP") and their respective consolidated subsidiaries closed on February 22, 2022. As the transaction was determined to be a reverse merger, BCP was considered the accounting acquirer and ALTM was considered the legal acquirer. Therefore, BCP's net assets, carried at historical value, were presented as the predecessor to Kinetik Holdings Inc.'s (the "Company") historical financial statements and the comparable period presented herein reflects the results of operations of BCP for the three and nine months ended September 30, 2022 and results of operations of ALTM from the Closing Date (as defined below) through September 30, 2022.

Unless otherwise noted or the context requires otherwise, references herein to Kinetik Holdings Inc. "the Company", "us", "our", "we" or similar terms, with respect to time periods prior to February 22, 2022, include BCP and its consolidated subsidiaries and do not include ALTM and its consolidated subsidiaries, while references herein to Kinetik Holdings Inc. with respect to time periods from and after February 22, 2022, include ALTM and its consolidated subsidiaries.

### Business Combination

On February 22, 2022 (the "Closing Date"), Kinetik Holdings Inc., a Delaware corporation (formerly known as Altus Midstream Company), consummated the previously announced business combination transactions contemplated by the Contribution Agreement, dated as of October 21, 2021 (the "Contribution Agreement"), by and among the Company, Altus Midstream LP (now known as Kinetik Holdings LP), a Delaware limited partnership and subsidiary of Altus Midstream Company (the "Partnership"), New BCP Raptor Holdco, LLC, a Delaware limited liability company, and BCP. The transactions contemplated by the Contribution Agreement are referred to herein as the "Transaction." In connection in conjunction with the closing of the Transaction (the "Closing"), the Company changed its name from "Altus Midstream Company" to "Kinetik Holdings Inc." Upon closing of the business combination, BCP financial statements and its subsidiaries became wholly owned subsidiaries of the Partnership. The Transaction was accounted for as a reverse merger pursuant to ASC 805 Business Combination ("ASC 805"). notes thereto included elsewhere in this report.

Refer to Note 2—Business Combinations in the Notes to Condensed Consolidated Financial Statements for further information regarding the Transaction.

### Overview

We are an integrated midstream energy company in the Permian Basin providing comprehensive gathering, transportation, compression, processing and treating services. Our core capabilities include a variety of service offerings including natural gas gathering, transportation, compression, treating and processing; NGLs stabilization and transportation;

produced water gathering and disposal; and crude oil gathering, stabilization, storage and transportation. The Company's corporate office is located in Houston, Texas and our operations are strategically located in the heart of the Delaware Basin.

#### **Our Operations and Segments**

We have two reportable segments which are strategic business units with various products and services. The Midstream Logistics segment operates under three service offerings, 1) gas gathering and processing, 2) crude oil gathering, stabilization and storage services and 3) produced water gathering and disposal. The Pipeline Transportation segment consists of four **equity method investment ("EMI")** pipelines originating in the Permian Basin with various access points to the **Texas U.S.** Gulf Coast, as well as Kinetik NGL Pipeline and Delaware Link Pipeline. The pipelines transport crude oil, natural gas and NGLs within the Permian Basin and to the **Texas U.S.** Gulf Coast.

#### ***Midstream Logistics***

**Gas Gathering and Processing.** The Midstream Logistics segment provides gas gathering and processing services with over 1,600 miles of low and high-pressure steel **pipeline** pipelines located throughout the Delaware Basin. Gas processing assets are centralized at five processing complexes with total cryogenic processing capacity of approximately 2.0 Bcf/d.

**Crude Oil Gathering, Stabilization and Storage Services.** Crude gathering assets are centralized at the Caprock Stampede Terminal and the Pinnacle Sierra Grande Terminal. The system includes approximately 220 miles of gathering pipeline and 90,000 barrels of crude storage.

**Water Gathering and Disposal.** The system includes over 360 miles of gathering pipeline and approximately **760,000** **580,000** barrels per day of permitted disposal capacity.

#### ***Pipeline Transportation***

**EMI pipelines.** The Company owns the following equity interests in four EMI pipelines in the Permian Basin with access to various points along the **Texas U.S.** Gulf Coast: 1) an approximate **53.3%** **55.5%** equity interest in Permian Highway Pipeline LLC ("PHP"), which is **also owned and operated** by Kinder Morgan; 2) 16% equity interest in Gulf Coast Express Pipeline LLC ("GCX"), which is **owned and also** operated by Kinder Morgan; 3) 33% equity interest in **Breviloba, LLC**, the owner of Shin Oak, which is **owned by Breviloba, LLC, and** operated by Enterprise Products Operating LLC; and 4) 15% equity interest in Epic Crude Holdings, LP ("EPIC"), which is **operated by EPIC Consolidated Operations, LLC.**

**Kinetik NGL Pipeline.** Pipelines consist of approximately **30** **96** miles of **20-inch** NGL pipelines **connected** connecting our East Toyah and Pecos complexes to Waha, including our **20-inch** Dewpoint pipeline that spans 40 miles, and our **30** **mile**, **16-inch** Brandywine Pipeline connecting to our Diamond Cryogenic complex. The Kinetik NGL pipeline system has a capacity of approximately 580 MBbl/d.

**Delaware Link Pipeline.** The Delaware Link Pipeline consists of approximately 40 miles of **30-inch** **diameter** pipeline with **a** **an initial** capacity of approximately 1.0 Bcf/d that provides additional transportation capacity to Waha. The project reached commercial in-service in October 2023.

#### **Recent Developments**

##### ***A/R Facility***

On April 2, 2024, Kinetik Receivables LLC ("Kinetik Receivables"), a bankruptcy remote special purpose entity formed as a direct subsidiary of Kinetik Holdings LP, a Delaware limited partnership (the "Partnership"), entered into an accounts receivable securitization facility with an initial facility limit of \$150 million ("A/R Facility") which has a scheduled termination date of April 1, 2025, with renewal options. Pursuant to the terms of the A/R Facility, Kinetik Receivables acquires certain receivables from the Partnership and other subsidiaries of the Company and makes further sales of such receivables to certain purchasers. The net proceeds of the A/R Facility were used, together with cash on hand, to repay a portion of the outstanding borrowings under the existing term loan credit facility ("Term Loan Credit Facility"), lowering the remaining balance to \$1.00 billion. As a result, the maturity of the Term Loan Credit Facility extended to December 8, 2026.

##### ***Secondary Offering of Common Stock***

On March 13, 2024, the Company and Apache (the "Selling Stockholder") entered into an Underwriting Agreement with Goldman Sachs & Co. LLC, as representative of the several underwriters named therein (collectively, the "Underwriters"), pursuant to which the Selling Stockholder agreed to sell to the Underwriters, and the Underwriters agreed to purchase from the Selling Stockholder, subject to and upon the terms and conditions set forth therein, 13,079,871 shares of Class A Common Stock. The Company did not receive any proceeds from the sale of shares of Common Stock in the offering.

##### **Factors Affecting Our Business**

##### ***Commodity Price Volatility***

There has been, and we believe there will continue to be, volatility in commodity prices and in the relationships among NGLs, crude oil and natural gas prices. As a result of uncertainty around global commodity supply and demand, the current armed conflict in Israel and the Gaza Strip and elsewhere in the Middle East, as well as the ongoing armed conflict in Ukraine, and uncertainty from the recent banking turmoil and its effects on financial markets, global oil and natural gas commodity prices continue to remain volatile. The volatility and uncertainty of natural gas, crude oil and NGL prices impact drilling, completion and other investment decisions by producers and ultimately supply to our systems. Although ongoing armed conflicts might generate commodity price upward pressure, and our operations could benefit in an environment of higher natural gas, NGLs and condensate prices, the instability of the international political environment and human and economic hardship resulting from the conflicts would have a highly uncertain impact on the U.S. economy, which in turn, might affect our business and operations adversely. Our product sales revenue is exposed to commodity price fluctuations. Therefore, commodity price decline and sustained periods of low natural gas, condensate and NGL prices could have an adverse effect on our product revenue stream. Also, after a rapid rise of oil and natural gas prices in the first half of 2022, oil and natural gas prices have moderated from their peaks during the past twelve months. The Company continues to monitor commodity prices closely and may enter into commodity price hedges from time to time as necessary to mitigate the volatility risk. In addition, the Company, when economically appropriate, enters into fee-based arrangements that insulate the Company from commodity price volatility.

#### ***Inflation and Interest Rates***

The annual rate of inflation in the United States was 3.7% 3.25% in September 2023 March 2024 compared to 8.2% 5.0% in September 2022, March 2023, as measured by the Consumer Price Index, which was the lowest since April 2021. Index. However, the Federal Open Market Committee ("FOMC") maintains its long run long-term goals of maximum employment and inflation at the rate of 2.00%. In support of these goals, the FOMC maintained the target range for the federal funds rate to 5.25% - 5.50% during its meeting in November 2023, March 2024. During the meeting, the FOMC acknowledged that noted the economic activity expanded at a strong pace in the third quarter outlook is uncertain and the U.S. banking system is sound and resilient. However, tighter financial and credit conditions for households and businesses are likely to weigh on economic activities, hiring and inflation. As the extent of these effects remains uncertain, the FOMC remains highly attentive to inflation risks and risk. It does not expect to reduce the target range until it has gained greater confidence that inflation is strongly committed to returning inflation to its goal of moving sustainably toward 2.00%. Increased Elevated interest rates beyond the term of our hedges will increase our financing costs and could have a negative impact on the Company's ability to meet its contractual debt obligations and to fund its operating expenses, capital expenditures, dividends and distributions.

#### ***Income Tax Provision***

The Company was at a net deferred tax asset position as of September 30, 2023 and December 31, 2022 before any valuation allowance assessment. Based on all available positive and negative evidence, including projections of future taxable income, we believed it was more likely than not that our deferred tax assets would not be realized. As such, a full valuation allowance was recorded against our net deferred tax asset position for federal purposes as of September 30, 2023 and December 31, 2022. To arrive at this assessment, a significant piece of objectively verifiable negative evidence the Company used was the cumulative loss incurred throughout the last several years.

The Company also anticipates a net deferred tax asset position for the year ended December 31, 2023. In evaluating the realizability of the deferred tax assets, the Company believes it will achieve a three-year cumulative level of profitability for the year ended December 31, 2023, which may allow management to conclude that it is more likely than not that the deferred tax assets would be realized and support a release of substantially all or a portion of the valuation allowance. If the Company releases all or a portion of the valuation allowance, the Company will have a significant deferred income tax benefit in such period. The Company will continue to evaluate whether the valuation allowance is needed in each reporting period based on information available to the Company.

#### ***Results of Operations***

The following table presents the Company's results of operations for the periods presented:

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
	2024	2024	2024
	(In thousands, except percentages)		
	(In thousands, except percentages)		
	(In thousands, except percentages)		
Revenues:			
Service revenue			
Service revenue			
Service revenue			
Product revenue			
Product revenue			
Product revenue			

Other revenue  
 Other revenue  
 Other revenue  
 Total operating revenues  
 Total operating revenues  
 Total operating revenues  
 Operating costs and expenses:  
 Operating costs and expenses:  
 Operating costs and expenses:  
 Cost of sales (exclusive of depreciation and amortization)<sup>(1)</sup>  
 Cost of sales (exclusive of depreciation and amortization)<sup>(1)</sup>  
 Cost of sales (exclusive of depreciation and amortization)<sup>(1)</sup>  
 Operating expenses  
 Operating expenses  
 Operating expenses  
 Ad valorem taxes  
 Ad valorem taxes  
 Ad valorem taxes  
 General and administrative expenses  
 General and administrative expenses  
 General and administrative expenses  
 Depreciation and amortization expenses  
 Depreciation and amortization expenses  
 Depreciation and amortization expenses  
 Loss on disposal of assets  
 Loss on disposal of assets  
 Loss on disposal of assets  
 Total operating costs and expenses  
 Total operating costs and expenses  
 Total operating costs and expenses  
 Operating income  
 Operating income  
 Operating income  
 Other income (expense):  
 Other income (expense):  
 Other income (expense):  
 Interest and other income  
 Interest and other income  
 Interest and other income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022 <sup>(1)</sup>	% Change
Interest expense	(In thousands, except percentages)					
Revenues:						
Service revenue	\$ 104,349	\$ 107,597	(3 %)	\$ 310,325	\$ 290,122	7 %
Product revenue	221,280	213,803	3 %	586,534	618,382	(5 %)
Other revenue	4,672	3,776	24 %	10,685	9,493	13 %
Total revenues	330,301	325,176	2 %	907,544	917,997	(1 %)
Operating costs and expenses:						
Cost of sales (exclusive of depreciation and amortization) <sup>(2)</sup>	147,756	145,208	2 %	374,100	418,197	(11 %)

Operating expense	42,925	35,845	20 %	118,804	100,996	18 %	
Ad valorem taxes	5,607	5,903	(5 %)	14,954	15,936	(6 %)	
General and administrative	22,751	23,468	(3 %)	73,131	72,180	1 %	
Depreciation and amortization	69,935	65,005	8 %	208,271	192,609	8 %	
Loss on disposal of assets	2,927	3,946	(26 %)	15,166	12,602	20 %	
Total operating costs and expenses	<u>291,901</u>	<u>279,375</u>	<u>4 %</u>	<u>804,426</u>	<u>812,520</u>	<u>(1 %)</u>	
Operating income	38,400	45,801	(16 %)	103,118	105,477	(2 %)	
Other income (expense):							
Interest and other income	289	—	100 %	1,625	250	NM	
Gain on redemption of mandatorily redeemable Preferred Units	—	—	— %	—	9,580	(100 %)	
Loss on debt extinguishment	—	—	— %	—	(27,975)	(100 %)	
Gain on embedded derivative	—	488	(100 %)	—	89,050	(100 %)	
Interest expense							
Interest expense	Interest expense	(45,009)	(40,464)	11 %	(130,443)	(92,585)	41 %
Equity in earnings of unconsolidated affiliates	Equity in earnings of unconsolidated affiliates	50,754	45,003	13 %	146,828	120,706	22 %
Total other income, net		<u>6,034</u>	<u>5,027</u>	<u>20 %</u>	<u>18,010</u>	<u>99,026</u>	<u>(82 %)</u>
Equity in earnings of unconsolidated affiliates							
Equity in earnings of unconsolidated affiliates							
Total other income (expense), net							
Total other income (expense), net							
Total other income (expense), net							
Income before income taxes	Income before income taxes	44,434	50,828	(13 %)	121,128	204,503	(41 %)
Income tax expense		1,303	1,406	(7 %)	2,030	2,244	(10 %)
Income before income taxes							
Income before income taxes							
Income tax expenses							
Income tax expenses							
Income tax expenses							
Net income including noncontrolling interest	Net income including noncontrolling interest	\$ 43,131	\$ 49,422	(13 %)	\$ 119,098	\$ 202,259	(41 %)
Net income including noncontrolling interest							
Net income including noncontrolling interest							

(1) The results of the legacy ALTM business are not included in the Company's consolidated financials prior to February 22, 2022. Refer to the Form 10-Q basis of presentation in [Note 1—Description of the Organization and Summary of Significant Accounting Policies](#) in the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, for further information.

(2) Cost of sales (exclusive of depreciation and amortization) is net of gas service revenues totaling [\\$38.6 million](#) [\\$44.5 million](#) and [\\$17.1 million](#) [\\$30.5 million](#) for the three months ended [September 30, 2023](#) [March 31, 2024](#) and 2022, respectively, and [\\$107.1 million](#) and [\\$51.1 million](#) for the nine months ended [September 30, 2023](#) and [2022](#), 2023, respectively for certain volumes where we act as [principal](#) [principal](#).

NM - Not meaningful

Three Months Ended [September 30, 2023](#) [March 31, 2024](#) Compared to Three Months Ended [September 30, 2022](#) [March 31, 2023](#)

#### Revenues

For the three months ended **September 30, 2023** **March 31, 2024**, revenue increased **\$5.1 million** **\$60.4 million**, or **2% 21%**, to **\$330.3 million** **\$341.4 million**, compared to **\$325.2 million** **\$281.0 million** for the same period in **2022** **2023**. The increase was primarily driven by an increased higher product revenue related to increased NGL commodity prices and condensate increased natural gas residue volumes sold, partially offset by period-to-period lower service revenues sold.

#### Service revenue

Service revenue consists of service fees paid to us by our customers for providing comprehensive gathering, treating, processing and produced water disposal services necessary to bring natural gas, NGLs and crude oil to market. Service revenue for the three months ended **September 30, 2023** **March 31, 2024**, decreased by **\$3.2 million** **\$1.2 million**, or **3% 1%**, to **\$104.3 million** **\$102.2 million**, compared to **\$107.6 million** **\$103.4 million** for the same period in **2022** **2023**. This decrease was driven by lower period over period crude gathering fees of **\$1.1 million**. Period-over-period gathered and processed gas volumes increased by **246.9** **207.0** Mcf per day, or **18% 13%** and by **272.1** **204.9** Mcf per day, or **22% 15%**, respectively. However, the total gathered and processed gas volumes where we function as the agent decreased period over period which lead causing the change in net gas gathering fees presented as revenues to the **\$3.2 million** decrease in service fees presented. Additionally, period over period water gathering and disposal revenues were up **\$8.3 million** primarily related to the new water gathering assets acquired during the first quarter of 2023, but the increase was overshadowed by the decrease in agent related gathered and processed gas volumes. be flat. Over 99% of service revenues are included in the Midstream Logistics segment.

#### Product revenue

Product revenue consists of commodity sales (including condensate, natural gas residue and NGLs). Product revenue for the three months ended **September 30, 2023** **March 31, 2024**, increased by **\$7.5 million** **\$62.7 million**, or **3% 36%**, to **\$221.3 million** **\$236.6 million**, compared to **\$213.8 million** **\$173.8 million** for the same period in **2022** **2023**, primarily due to increased residue gas volumes sold and higher commodity prices. Period over period natural gas residue volumes sold increased **4.4 million MMBtu**, or **45%** and the period over period natural gas price realized increased by **\$0.62 per MMBtu**, or **49%**. Further contributing to the quarter over quarter increased product sales, composite NGL prices increased **\$8.59 per barrel**, or **36%**, and condensate prices increased **\$2.93 per barrel** or **4%**. Partially offsetting these increases, in NGL and condensate volumes sold partially offset by lower commodity prices. Period over period NGL and condensate volumes sold increased **3.8 million** decreased **0.2 million barrels**, or **86%**. These increases were partially offset by period over period decreases in NGL prices of **\$13.06 per barrel**, or **37%**, condensate prices of **\$12.07 per barrel** or **13%** and residue prices of **\$4.94 per MMBtu** or **68%**. Natural gas residue sales volumes also decreased **0.8 MMBtu**, or **14% 3%**. Product revenues are included entirely in the Midstream Logistics segment.

#### Operating Costs and Expenses

##### Costs of sales (exclusive of depreciation and amortization)

Cost of sales (exclusive of depreciation and amortization) primarily consists of purchases of NGLs and natural gas from our producers at contracted market prices to support product sales to other third parties. For the three months ended **September 30, 2023** **March 31, 2024**, cost of sales increased **\$2.5 million** **\$37.8 million**, or **2% 33%**, to **\$147.8 million** **\$153.7 million**, compared to **\$145.2 million** **\$115.9 million** for the same period in **2022** **2023**. The increase was primarily driven by aforementioned period over period increase increases in NGL commodity prices and natural gas residue volumes sold. Cost of sales (exclusive of depreciation and amortization) are is included entirely in the Midstream Logistics segment.

##### Operating expenses

Operating expenses increased by **\$7.1 million** **\$7.4 million**, or **20% 21%**, to **\$42.9 million** **\$43.4 million** for the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$35.8 million** **\$36.0 million** for the same period in **2022** **2023**. Of the total increase, **\$2.2 million** **\$1.8 million** relates to increased water gathering operating expenses, from our water operations primarily in relation to associated with the new midstream infrastructure assets that were acquired during the first quarter of 2023. The remaining increase was driven by relates to higher electricity, internal labor, lubricants and chemicals, and leased compression and electricity expenses from associated with the increased period over period gathered and processed volumes discussed above gas volumes.

##### General and administrative expenses

General and administrative expenses increased by **\$6.6 million**, or **24%** to **\$34.1 million** for the three months ended March 31, 2024, compared to **\$27.5 million** for the same period in 2023. The increase was mainly driven by an increase in share-based compensation of **\$5.0 million** due to additional incentive units granted to employees during the first quarter of 2024.

#### Other Income (Expense)

##### Interest Expense expense

Interest expense increased decreased by **\$4.5 million** **\$21.8 million**, or **11% 32%**, to **\$45.0 million** **\$47.5 million** for the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$40.5 million** **\$69.3 million** for the same period in **2022** **2023**. The increase decrease was primarily driven by higher average debt obligations during the quarter, as well as an overall increase in interest rates associated with the Term Loan Credit Facility (as defined below) and Revolving Credit Facility (as defined below), which carried some variability. The increase was partially offset by realized gains and favorable valuation marks on our interest rate swaps totaling **\$12.5 million** **\$13.3 million** for the period. first quarter of 2024 compared to unfavorable valuation marks of **\$17.2 million** for the same period in 2023. Refer to Note—**12 11 Derivatives and Hedging Activities** in the Notes to Condensed Consolidated Financial Statements regarding the Company's strategy in managing interest rate risk. This decrease was partially offset by higher period over period interest expense of **\$7.2 million** due primarily to higher realized interest rates .

## Equity in earnings of unconsolidated affiliates

Income from EMI pipelines increased by **\$5.8 million** \$14.0 million, or **13%** 30%, to **\$50.8 million** \$60.5 million for the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$45.0 million** \$46.5 million for the same period in 2022. The increase reflected higher profitability by the Company's EMIs.

## Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

### Revenues

For the nine months ended September 30, 2023, revenue decreased \$10.5 million, or 1%, to \$907.5 million, compared to \$918.0 million for the same period in 2022. The decrease was primarily driven by period-to-period lower product revenues due to decreases in commodity prices, partially offset by higher service revenues related to increases in gathered and processed gas volumes.

#### Service revenue

Service revenue consists of service fees paid to us by our customers for providing comprehensive gathering, treating, processing and water disposal services necessary to bring natural gas, NGLs and crude oil to market. Service revenue for the nine months ended September 30, 2023, increased by \$20.2 million, or 7%, to \$310.3 million, compared to \$290.1 million for the same period in 2022. This increase was due to a period-over-period increase in water gathering and disposal revenues totaling \$21.7 million primarily related to the new water gathering assets acquired during the first quarter of 2023. Additionally, total gathered and processed gas volumes increased 302.3 Mcf per day, or 24% and 316.9 Mcf per day, or 27%, respectively. However, the total gathered and processed gas volumes where we function as the agent slightly decreased period over period. Over 99% of service revenues are included in the Midstream Logistics segment.

#### Product revenue

Product revenue consists of commodity sales (including condensate, natural gas residue and NGLs). Product revenue for the nine months ended September 30, 2023, decreased by \$31.8 million, or 5%, to \$586.5 million, compared to \$618.4 million for the same period in 2022, primarily due to period over period decreases in commodity prices. Period over period NGL prices decreased \$18.31 per barrel, or 46%, condensate prices decreased \$22.40 per barrel or 23% and residue prices decreased \$4.49 per MMBtu, or 73%. The overall decrease was partially offset by increases in NGL and condensate volumes sold of 10.9 million barrels, or 91%. Natural gas residue sales volumes decreased 4.1 million MMBtu, or 20%. Product revenues are included entirely in the Midstream Logistics segment.

### Operating Costs and Expenses

#### Costs of sales (exclusive of depreciation and amortization)

Cost of sales (exclusive of depreciation and amortization) primarily consists of purchases of NGLs and natural gas from our producers at contracted market prices to support product sales to other third parties. For the nine months ended September 30, 2023, cost of sales decreased \$44.1 million, or 11%, to \$374.1 million, compared to \$418.2 million for the same period in 2022. The decrease was primarily driven by a period to period decrease in commodity prices, slightly offset by increases in NGL volumes sold. Cost of sales (exclusive of depreciation and amortization) are included entirely in the Midstream Logistics segment.

#### Operating expenses

Operating expenses increased by \$17.8 million, or 18%, to \$118.8 million for the nine months ended September 30, 2023, compared to \$101.0 million for the same period in 2022. Of the total increase, \$4.5 million was driven by the inclusion of Altus operations for the entire period, versus just over four months during the same period of 2022 and \$3.7 million relates to increased operating expenses from our water operations predominantly related to the newly acquired midstream infrastructure assets. The remaining increase is primarily the result of higher compression and electricity costs from the increased gathered and processed volumes discussed above. Over 99% of operating expenses are included in the Midstream Logistics segment.

### Other Income (Expense)

#### Loss on debt extinguishment

For the nine months ended September 30, 2022, the Company recognized a loss on debt extinguishment of \$28.0 million in relation to the comprehensive refinancing completed in June 2022. We did not recognize any loss on debt extinguishment for the nine months ended September 30, 2023.

#### Unrealized gain on embedded derivative

For the nine months ended September 30, 2022, the Company recognized an unrealized gain on an embedded derivative of \$89.1 million. The unrealized gain was a result of the redemption of the redeemable noncontrolling interest Preferred Units. All redeemable noncontrolling interest Preferred Units were redeemed in 2022; as such, no unrealized gain or loss was recognized during 2023.

#### Interest Expense

Interest expense increased by \$37.9 million, or 41%, to \$130.4 million for the nine months ended September 30, 2023, compared to \$92.6 million for the same period in 2022. The increase was driven by higher debt obligations from the comprehensive refinancing completed in June 2022, as well as an overall increase in interest rates associated with the Term Loan Credit Facility and Revolving Credit Facility, which carried some variability. The increase was partially offset by higher realized gains and favorable valuation marks on interest rate swaps of \$21.1 million when comparing the nine months ended September 30, 2023 to the same period in 2022. Refer to Note—12 Derivatives and Hedging Activities in the Notes to Condensed Consolidated Financial Statements regarding the Company's strategy in managing interest rate risk.

#### **Equity in earnings of unconsolidated affiliates**

Income from EMI pipelines increased by \$26.1 million, or 22%, to \$146.8 million for the nine months ended September 30, 2023, compared to \$120.7 million for the same period in 2022. The increase was due to the recognition of nine months of operations profitability from the Company's EMIs investment in 2023 compared PHP due to the recognition of seven months of operations its expanded capacity that was placed into service in 2022 since the closing of the Transaction in February 2022. The increase also reflected higher profitability by the EMIs. December 2023.

#### **Key Performance Metrics**

##### **Adjusted EBITDA**

Adjusted EBITDA is defined as net income including noncontrolling interests adjusted for interest, taxes, depreciation and amortization, impairment charges, asset write-offs, warrant valuation, loss on disposal of assets, the proportionate EBITDA from our EMI pipelines, equity method investments, equity in earnings income from investments recorded using the equity method, share-based compensation expense, noncash increases and decreases related to trading and hedging agreements, activities, integration and transaction costs and extraordinary losses and unusual or non-recurring charges. Adjusted EBITDA provides a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance.

We believe that Adjusted EBITDA provides a meaningful understanding of certain aspects of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA is useful to an investor in evaluating our performance because this measure:

- is widely used by analysts, investors and competitors to measure a company's operating performance;
- is a financial measurement that is used by rating agencies lenders and other parties to evaluate our credit worthiness; and
- is used by our management for various purposes, including as a measure of performance and as a basis for strategic planning and forecasting.

##### **Adjusted EBITDA is not defined in GAAP**

The GAAP measure used by the Company that is most directly comparable to Adjusted EBITDA is net income including noncontrolling interests. Adjusted EBITDA should not be considered as an alternative to the GAAP measure of net income including noncontrolling interests or any other measure of financial performance presented in accordance with GAAP. Adjusted EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect net income including noncontrolling interests. Adjusted EBITDA should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. The Company's definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies in the industry, thereby diminishing its utility.

##### **Reconciliation of non-GAAP financial measure**

Company management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between Adjusted EBITDA as compared to net income including noncontrolling interest, and incorporating this knowledge into its decision-making processes. Management believes that investors benefit from having access to the same financial measure that the Company uses in evaluating operating results.

The following table presents a reconciliation of the GAAP financial measure of net income including noncontrolling interest to the non-GAAP financial measure of Adjusted EBITDA.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
	(In thousands, except percentages)					
<b>Reconciliation of net income including noncontrolling interest to</b>						
<b>Adjusted EBITDA</b>						
Net income including noncontrolling interest	\$ 43,131	\$ 49,422	(13 %)	\$ 119,098	\$ 202,259	(41 %)
Add back:						
Interest expense	45,009	40,464	11 %	130,443	92,585	41 %
Income tax expense	1,303	1,406	(7 %)	2,030	2,244	(10 %)
Depreciation and amortization	69,935	65,005	8 %	208,271	192,609	8 %
Amortization of contract costs	1,655	448	NM	4,965	1,344	NM
Proportionate EMI EBITDA	78,585	78,357	— %	224,933	190,438	18 %
Share-based compensation	12,502	12,661	(1 %)	43,340	30,966	40 %
Loss on disposal of assets	2,927	3,946	(26 %)	15,166	12,602	20 %

Loss on debt extinguishment	—	—	— %	—	27,975	(100 %)
Unrealized loss on derivatives	8,259	—	100 %	616	—	100 %
Integration Costs	21	2,338	(99 %)	985	10,012	(90 %)
Transaction Costs	378	62	NM	648	6,412	(90 %)
Other one-time cost or amortization	2,662	3,752	(29 %)	7,545	10,969	(31 %)
Warrant valuation adjustment	4	—	100 %			— %
Deduct:						
Interest income	293	—	100 %	314	—	100 %
Warrant valuation adjustment	—	—	— %	73	—	100 %
Gain on redemption of mandatorily redeemable Preferred Units	—	—	— %	—	9,580	(100 %)
Gain on embedded derivative	—	488	(100 %)	—	89,050	(100 %)
Equity income from EMI's	50,754	45,003	13 %	146,828	120,706	22 %
Adjusted EBITDA	\$ 215,324	\$ 212,370	1 %	\$ 610,825	\$ 561,079	9 %

\* The results of the legacy ALTM business are not included in the Company's consolidated financials prior to February 22, 2022. Refer to Note 1—Description of the Organization and Summary of Significant Accounting Policies for further information on the Company's basis of presentation.

	Three Months Ended March 31,		
	2024	2023	% Change
(In thousands, except percentages)			
<b>Reconciliation of net income including noncontrolling interest to Adjusted EBITDA</b>			
Net income including noncontrolling interest	\$ 35,407	\$ 4,299	NM
Add back:			
Interest expense	47,467	69,308	(32 %)
Income tax expense	3,787	416	NM
Depreciation and amortization	73,606	68,854	7 %
Amortization of contract costs	1,655	1,655	— %
Proportionate EMI EBITDA	88,402	71,867	23 %
Share-based compensation	22,561	17,540	29 %
Loss on disposal of assets	4,166	102	NM
Commodity hedging unrealized loss (gain)	15,088	(4,987)	NM
Integration costs	41	925	(96 %)
Transaction costs	—	268	(100 %)
Other one-time cost or amortization	2,425	3,748	(35 %)
Deduct:			
Interest income	577	—	100 %
Warrant valuation adjustment	—	44	(100 %)
Equity income from EMI's	60,469	46,464	30 %
Adjusted EBITDA	\$ 233,559	\$ 187,487	25 %

NM - not meaningful

Adjusted EBITDA increased by \$3.0 million \$46.1 million, or 1% 25%, to \$215.3 million \$233.6 million for the three months ended September 30, 2023 March 31, 2024, compared to \$212.4 million \$187.5 million for the same period in 2022.

Adjusted EBITDA increased by \$49.7 million, or 9%, to \$610.8 million for the nine months ended September 30, 2023, compared to \$561.1 million for the same period in 2022. As discussed in the Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Results of Operations* to this Quarterly Report on Form 10-Q, \$15.9 million \$7.7 million of the increase was due to lower increased total operating revenue of \$60.4 million, partially offset by increased cost of sales (exclusive of depreciation and amortization) of \$44.1 million, partially offset by decreased total operating revenues of \$10.5 million \$37.8 million and increased an increase in operating expenses, ad valorem taxes and General and Administrative Expenses totaling of \$17.8 million \$14.9 million. The increase was also driven by (i) higher proportionate EMI EBITDA of \$34.5 million \$16.5 million due to owning the EMI investments acquired through the Transaction for a full nine months during expanded capacity

on PHP that was placed into service in December 2023 and (ii) an increase in the add back related to share-based compensation of \$12.4 million due primarily to a full nine months of amortization for the Class A Shares versus only seven months in the prior period. These increases were partially offset by decreases in the add backs related to transaction unrealized loss (gain) on commodity hedging activities and integration costs totaling \$14.8 million related to the Transaction from 2022. share-based compensation.

#### Segment Adjusted EBITDA

Segment adjusted EBITDA is defined as segment net earnings adjusted to exclude interest expense, income tax expense, depreciation and amortization, the proportionate effect of these same items for our equity method investments and other non-recurring items. The following table presents segment adjusted Segment Adjusted EBITDA for the three months ended March 31, 2024 and nine month periods ended September 30, 2023 and 2022, 2023. Also refer to Note 17—16—Segments in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for a reconciliation of segment adjusted Segment Adjusted EBITDA to net income including noncontrolling interest, before income taxes.

		Three Months Ended March 31,								
		Three Months Ended March 31,								
		Three Months Ended March 31,								
2024										
2024										
2024										
		Three Months Ended September 30,			Nine Months Ended September 30,					
		(In thousands, except percentages)								
		2023	2022	% Change	2023	2022	% Change			
		(In thousands, except percentages)								
		(In thousands, except percentages)								
		(In thousands, except percentages)								
Midstream	Midstream									
Logistics	Logistics	\$ 140,443	\$ 137,545	2 %	\$ 396,800	\$ 380,919	4 %			
Pipeline	Pipeline									
Transportation	Transportation	78,902	78,692	— %	226,027	190,023	19 %			
Corporate and Other <sup>(1)</sup>		(4,021)	(3,867)	4 %	(12,002)	(9,863)	22 %			
Total segment adjusted EBITDA		\$ 215,324	\$ 212,370	1 %	\$ 610,825	\$ 561,079	9 %			
Pipeline Transportation										
Pipeline Transportation										
Corporate and Other <sup>(1)</sup>										
Corporate and Other <sup>(1)</sup>										
Corporate and Other <sup>(1)</sup>										
Total Segment Adjusted EBITDA										
Total Segment Adjusted EBITDA										
Total Segment Adjusted EBITDA										

\* The results of the legacy ALTM business are not included in the Company's consolidated financials prior to February 22, 2022. Refer to (1) Note 1—Description of the Organization and Summary of Significant Accounting Policies for further information on the Company's basis of presentation.

\* Corporate and Other represents those results that: (i) are not specifically attributable to a reportable segment; (ii) are not individually reportable or (iii) have not been allocated to a reportable segment for the purpose of evaluating their performance, including certain general and administrative expense items.

Midstream Logistics segment adjusted Segment Adjusted EBITDA increased by \$2.9 million \$23.7 million, or 20%, to \$140.4 million \$143.0 million for the three months ended September 30, 2023 March 31, 2024, compared to \$137.5 million \$119.2 million for the same period in 2022.

Midstream Logistics segment adjusted EBITDA increased by \$15.9 million, or 4%, to \$396.8 million for the nine months ended September 30, 2023, compared to \$380.9 million for the same period in 2022. The increase was primarily due to the lower increased total operating revenue of \$52.8 million, partially offset by increases in cost of sales (exclusive of depreciation and amortization) of \$44.1 million, partially offset by decreased total \$37.8 million and operating revenues expense of \$11.9 million and increased operating expenses of \$18.0 million \$7.2 million. The reasons for the fluctuations are discussed in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations to this Quarterly Report on Form 10-Q. The increase was also driven by an increase in add back related to unrealized loss (gain) on commodity hedging activities of \$20.1 million.

Pipeline Transportation segment adjusted Segment Adjusted EBITDA increased by \$0.2 million \$23.2 million, or 32%, to \$78.9 million \$95.5 million for the three months ended September 30, 2023 March 31, 2024, compared to \$78.7 million \$72.3 million for the same period in 2022.

Pipeline Transportation segment adjusted EBITDA increased by \$36.0 million, or 19%, to \$226.0 million for the nine months ended September 30, 2023, compared to \$190.0 million for the same period in 2022. The increase was primarily driven by increases in the Company's higher proportionate share of its EMIs' EBITDA of \$34.5 million \$16.5 million due to owning the EMIs investments acquired through expanded capacity on PHP that was placed into service in December 2023 and an increase in segment revenues of \$7.6 million from the Transaction for a full nine months Delaware Link Pipeline that was placed into service during 2023 versus approximately seven months during 2022. October 2023.

#### **Contractual Obligations**

We have contractual obligations for principal and interest payments on our 2028 Notes, 2030 Notes and Term Loan Credit Facility. See Note 7—Debt and Financing Costs in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Under certain clauses of our transportation services agreements with third party pipelines to transport natural gas and NGLs, if we fail to ship a minimum throughput volume, during any year, then we will pay a certain deficiency payment payments for transportation based on the volume shortfall up to the MVC amount. The Company has made no historical shortfall payments through September 30, 2023.

#### **Capital Resources and Liquidity**

The Company's primary use of capital since inception has been for the initial construction of gathering and processing assets, as well as the acquisition of acquisitions, including the EMI pipelines and associated subsequent construction costs. For 2023, 2024, the Company's primary capital spending requirements are related expected to relate to the PHP expansion project, the midstream infrastructure acquisition Durango Acquisition and other budgeted capital expenditures for construction and maintenance of gathering and processing assets, the Company's contractual debt obligations and quarterly cash dividends. In addition, the Board of Directors (the "Board") has approved the Repurchase Program (as defined below) authorizing discretionary purchases of the Company's Company may repurchase its Class A Common Stock up pursuant to \$100 million in aggregate. the Share Repurchase Program from time to time.

During the nine three months ended September 30, 2023 March 31, 2024, the Company's primary sources of cash were distributions from the EMI pipelines, borrowings under the Revolving Credit Facility and cash generated from operations. Based on the Company's current financial plan, and related assumptions including the Reinvestment Agreement (as defined below), the Company believes that cash from operations and distributions from the EMI pipelines, and remaining borrowing capacity on our credit facilities will generate cash flows in excess of capital expenditures and the amount required to fund the Company's planned quarterly dividend over the next 12 months. Additionally, The Company expects to fund the cash consideration required to close the Durango Acquisition ("Closing Cash Consideration") with proceeds from the GCX Sale. However, if the Durango Acquisition closes prior to the GCX Sale, the Company has locked in expects to fund the floating base rate on Closing Cash Consideration with borrowings under its Term Loan Credit revolving credit facility.

**A/R Facility with interest rate swaps with a \$2.25 billion notional that are effective through May 31, 2025 swapping floating SOFR for a fixed swap rate between 4.38% and 4.49%.**

#### **Comprehensive Refinancing**

On June 8, 2022 April 2, 2024, Kinetik Receivables, a bankruptcy remote special purpose entity formed as a direct subsidiary of the Partnership, entered into an A/R Facility which has a scheduled termination date of April 1, 2025 with renewal options. Pursuant to the terms of the A/R Facility, Kinetik Receivables acquires certain receivables from the Partnership completed and other subsidiaries of the private placement Company and makes further sales of \$1.00 billion aggregate principal amount such receivables to certain purchasers. The net proceeds of 5.875% Senior Notes due 2030, which are fully and unconditionally guaranteed by the Company. The Notes A/R Facility were issued used, together with cash on hand, to repay a portion of the outstanding borrowings under our Sustainability-Linked Financing Framework and include sustainability-linked features. In addition, the Partnership entered into the revolving credit agreement with Bank of America, N.A. as administrative agent, which provides for a \$1.25 billion senior unsecured revolving credit facility maturing on June 8, 2027 (the "Revolving Credit Facility"), and the term loan credit agreement with PNC Bank as administrative agent, which provided for a \$2.00 billion senior unsecured term loan credit facility maturing on June 8, 2025 (the "Term Loan Credit Facility"). Proceeds from the Notes and the Term Loan Credit Facility, were used lowering the remaining balance to repay all outstanding borrowings under our existing credit facilities and \$1.0 billion. As a result, the maturity of the Term Loan Credit Facility extended to pay fees and expenses related to the offering. See December 8, 2026. Note 8—Debt and Financing Costs in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for further information.

#### **Capital Requirements and Expenditures**

Our operations can be capital intensive, requiring investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational regulations. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, capital spending for property, plant and equipment totaled \$245.8 million \$58.0 million and \$160.5 million \$58.9 million, respectively, and intangible asset purchases totaled \$15.1 million \$2.2 million and \$13.3 million \$9.8 million, respectively, and contributions to EMIs totaled \$3.3 million and \$58.7 million, respectively. In addition to contributing The decrease in capital spending was mainly due to the completion of the Delaware Link Pipeline and PHP expansion the Company also acquired certain midstream infrastructure assets totaling \$65.0 million projects in the first quarter second half of 2023.

as discussed in Note 2—Business Combinations. 2023. Management believes its existing gathering, processing and transmission infrastructure capacity is capable of fulfilling its midstream contracts to service its customers.

The Company anticipates its existing capital resources will be sufficient to fund the future capital expenditures for EMI pipelines and the Company's existing infrastructure assets over the next 12 months. For further information on EMIs, refer to Note 6—Equity Method Investments in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

#### Cash Flow

The following tables present cash flows from operating, investing and financing activities during the periods presented:

		Three Months Ended March 31,		Three Months Ended March 31,	
		2024	2024	2023	
		Nine Months Ended September 30,			
		2023	2022		
		(In thousands)			
		(In thousands)			
		(In thousands)			
		(In thousands)			
Cash provided by operating activities	Cash provided by operating activities	\$ 405,585	\$ 453,244		
Cash used in investing activities	Cash used in investing activities	\$ (582,600)	\$ (216,418)		
Cash provided by (used in) financing activities		\$ 170,689	\$ (243,827)		
Cash (used in) provided by financing activities					

**Operating activities.** Net cash provided by operating activities decreased increased by \$47.7 million \$34.1 million for the nine three months ended September 30, 2023 March 31, 2024 compared with the same period in 2022, 2023. The change in the operating cash flows reflected increases (i) an increase in net income including noncontrolling interests of \$31.1 million; (ii) an increase in net income reconciliation adjustments related to non-cash items of \$72.9 million \$5.8 million, which was mainly driven by increases in fair value adjustment for derivatives distributions from EMIs of \$62.0 million and \$9.4 million, share-based compensation of \$12.4 million. The increase was \$5.0 million, loss on disposal of assets \$4.1 million and depreciation and amortization expense of \$4.8 million, partially offset by a decrease in net derivative activity of \$7.0 million and an increase in earnings from EMIs of \$14.0 million and (iii) a decrease in working capital of \$37.4 million and a decrease in net income including noncontrolling interests of \$83.2 million \$2.8 million.

**Investing activities.** Net cash used in investing activities increased decreased by \$366.2 million \$184.5 million for the nine three months ended September 30, 2023 March 31, 2024 compared with the same period in 2022, 2023. The increase decrease was primarily driven by an increase decreases in cash used in outflows related to the business acquisition of \$138.4 million \$125.0 million for certain midstream assets an increase made in property, plant the first quarter of 2023 and equipment expenditures of \$85.3 million and an increase in contributions made to unconsolidated affiliates of \$146.5 million related to \$55.4 million, as the PHP expansion project project reached commercial in service during December 2023.

**Financing activities.** Net cash provided by financing activities was \$170.7 million for the nine months ended September 30, 2023, which was comprised of net proceeds from the Company's Revolving Credit Facility of \$235.0 million, offset by cash dividends of \$58.6 million and repurchase of Class A common stock of \$5.8 million. Net cash used in financing activities was \$243.8 million \$86.5 million for the nine three months ended September 30, 2022 March 31, 2024, which was primarily comprised of redemption of mandatorily redeemable Preferred Units of \$183.3 million, net payments on debt issuance costs the Partnership's Revolving Credit Facility of \$36.9 million \$47.0 million and cash dividends of \$34.1 million \$39.5 million paid to the holders of Class A Common Stock and Common Units, compared with net cash provided by financing activities of \$122.5 million

for the three months ended March 31, 2023, offset by which was primarily comprised of net proceeds on from the Company's outstanding indebtedness Partnership's Revolving Credit Facility of \$471.9 million. \$142.0 million and cash dividends of \$17.1 million paid to the holders of Class A Common Stock and Common Units.

#### **Dividend and Distribution Reinvestment Agreement**

On February 22, 2022, the Company entered into a Dividend and Distribution Reinvestment Agreement (the "Reinvestment Agreement") with certain stockholders including BCP Raptor Aggregator, LP, BX Permian Pipeline Aggregator LP, Buzzard Midstream LLC, APA Corporation, Apache Midstream LLC and certain individuals (each, a "Reinvestment Holder"). Under the Reinvestment Agreement, each Reinvestment Holder is obligated to reinvest at least 20% a specified percent of all distributions on Common Units or dividends on shares of Class A Common Stock in the Company's Class A Common Stock. The Audit Committee resolved that for the calendar year 2023, 100% of all distributions or dividends received by each Reinvestment Holder would be reinvested in shares of Class A Common Stock. Agreement terminated automatically on March 8, 2024.

During the first nine three months of 2023, ended March 31, 2024, the Company made cash dividend payments of \$58.6 million \$39.5 million to holders of Class A Common Stock and Class C Common Units and \$263.8 million \$74.2 million was reinvested in shares of Class A Common Stock by the Reinvestment Holders.

#### **Stock Split**

On May 19, 2022, the Company announced the Stock Split with respect to its Class A Common Stock and Class C Common Stock in the form of a stock dividend. The Stock Split was accomplished by distributing one additional share of Class A Common Stock for each share of Class A Common Stock outstanding and one additional share of Class C Common Stock for each share of Class C Common Stock outstanding. The additional shares of Common Stock were issued on June 8, 2022 to holders of record at the close of business on May 31, 2022.

#### **Dividend**

On November 1, 2023 April 18, 2024, the Board declared a cash dividend of \$0.75 per share on the Company's Class A Common Stock which will be payable to stockholders on November 13, 2023 May 9, 2024. The Company, through its ownership of the general partner of the Partnership, declared a distribution of \$0.75 per Common Unit from the Partnership to the holders of Common Units, which will be payable on November 22, 2023 May 9, 2024. Core Shareholders have agreed As described in these Condensed Consolidated Financial Statements, as the context requires, dividends paid to reinvest 100% holders of dividends received on Class C A Common Stock and distributions paid to holders of Common Units based on the Reinvestment Agreement may be referred to collectively as "dividends."

#### **Share Repurchase Program**

In February 2023, For the Board approved a share repurchase program (the "Repurchase Program") three months ended March 31, 2024, authorizing discretionary purchases of the Company's Class A Common Stock up to \$100.0 million in the aggregate. Repurchases may be made at management's discretion from time to time, in accordance with applicable securities laws, on the open market or through privately negotiated transactions and may be made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act. Privately negotiated repurchases from affiliates are also authorized under the Repurchase Program, subject to such affiliates' interest and other limitations. The repurchases will depend on market conditions and may be discontinued at any time without prior notice. The Company did not repurchase any of its outstanding shares during the three months ended September 30, 2023. shares.

For the nine months ended September 30, 2023, the Company repurchased 194,174 shares at a total cost of \$5.8 million. The Company retired all treasury stock as of September 30, 2023. For additional more information regarding the Repurchase Program, see "Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" in this Quarterly Report on Form 10-Q.

The Inflation Reduction Act of 2022 provides for, among other things, the imposition of a 1% non-deductible U.S. federal excise tax (the "Stock Buyback Tax") imposed on certain repurchases of stock by publicly traded U.S. corporations, such as us after December 31, 2022. Accordingly, the Stock Buyback Tax will apply please refer to Part I, Item 1A. —"Risk Factors— Risks Related to Ownership of our share repurchase program in 2023 and in subsequent taxable years, provided, that the amount of share repurchases in the relevant taxable year subject to the Stock Buyback Tax is reduced by the fair market value of any stock issued by us during such taxable year, including the fair market value of any stock issued or provided to our employees or specified affiliates. The Biden Administration has proposed increasing the amount Common Stock" of the Stock Buyback Tax from 1% to 4%; however, it is unclear whether such a change in Company's Annual Report on Form 10-K for the amount of the Stock Buyback Tax will be enacted and, if enacted, how soon any such change could take effect. year ended December 31, 2023, filed on March 5, 2024.

#### **Liquidity**

The following table presents a summary of the Company's key liquidity indicators at the dates presented:

	September 30, 2023	December 31, 2022
	(in thousands)	
Cash and cash equivalents	\$ 68	\$ 6,394
Total debt, net of unamortized deferred financing cost	\$ 3,606,962	\$ 3,368,510
Available committed borrowing capacity	\$ 620,000	\$ 855,000

#### Cash and cash equivalents

As of September 30, 2023 and December 31, 2022, the Company had \$0.1 million and \$6.4 million, respectively, in cash and cash equivalents.

	March 31, 2024	December 31, 2023
	(in thousands)	
Cash and cash equivalents	\$ 9,756	\$ 4,510
Total debt, net of unamortized deferred financing cost	\$ 3,517,115	\$ 3,562,809
Available committed borrowing capacity	\$ 690,400	\$ 643,400

#### Total debt and available credit facilities

There is no assurance that the financial condition of banks with lending commitments to the Company and its subsidiaries will not deteriorate. The Company closely monitors the ratings of the banks in the Company's bank group. Having a large bank group allows the Company to mitigate the potential impact of any bank's failure to honor its lending commitment.

#### Off-Balance Sheet Arrangements

As of September 30, 2023 March 31, 2024, there were no off-balance sheet arrangements.

#### Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates from those disclosed on our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Please refer to information regarding our critical accounting policies and estimates included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the Commission on March 7, 2023 March 5, 2024.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to various market risks, including the effects of adverse changes in commodity prices and credit risk as described below. The Company continually monitors its market risk exposure, including the impact and developments related to the armed conflicts in Ukraine and Israel, increase in interest rate and inflation trend, which continued to have significant impact on volatility and uncertainties in the financial markets during the third first quarter of 2023, 2024.

##### **Commodity Price Risk**

The results of the Company's operations may be affected by the market prices of oil and natural gas. A portion of the Company's revenue is directly tied to local crude, natural gas, NGLs and condensate prices in the Permian Basin. Fluctuations in commodity prices also impact operating cost elements both directly and indirectly. For example, commodity prices directly impact costs such as power and fuel, which are expenses that increase or decrease in line with changes in commodity prices. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as labor and equipment rentals. Management regularly reviews the Company's potential exposure to commodity price risk and may periodically enter into financial or physical arrangements intended to mitigate potential volatility. Refer to Note 12—Derivatives 11—Derivatives and Hedging Activities in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for additional discussion regarding our hedging strategies and objectives.

##### **Interest Rate Risk**

The market risk inherent in our financial instruments and our financial position represents the potential loss arising from adverse changes in interest rates. As of September 30, 2023 March 31, 2024, the Company had interest bearing debt, net of deferred financing costs, with principal amount of \$3.61 billion \$3.52 billion. The interest rates for the Revolving Credit Facility and the Term Loan Credit Facility are variable, which exposes the Company to the risk of increased interest expense in the event of increases to short-term interest rates. Accordingly, results of operations, cash flows, financial condition and the ability to make cash distributions could be adversely affected by significant increases in interest rates. As The Company has locked in the floating base rate on 97% of September 30, 2023, \$2.25 billion of our floating rate debt (out of \$2.63 billion) has been hedged until June 2025. If interest rates increase by 10.0%, the Company's consolidated interest expense would have increased by approximately \$194.1 million for the nine months ended September 30, 2023. The Company may periodically enter into interest rate derivatives to add stability to interest expense swaps with a \$1.70 billion notional that are effective through May 31, 2025 swapping floating SOFR for a fixed swap rate between 4.38% and to manage its exposure to interest rate movements. 4.48%. Refer to Note 12—11—Derivatives and Hedging Activities in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for additional discussion regarding our hedging strategies and objectives. The In addition, the Company will expects to realize 0.05% reductions to the effective interest rates of both the Revolving Credit Facility and the Term Loan Credit Facility during 2023 2024 in relation to sustainability adjustment features embedded in these facilities. The rate reductions were dependent upon the Company meeting certain sustainability targets during 2022 2023, which were subject to the completion of certain attestation procedures, which have been successfully completed as of September 30, 2023. procedures.

#### **Credit Risk**

The Company is subject to credit risk resulting from nonpayment or nonperformance by, or the insolvency or liquidation of, third-party customers. Any increase in nonpayment and nonperformance by, or the insolvency or liquidation of, the Company's customers could adversely affect the Company's results of operations.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Disclosure Controls and Procedures**

As of **September 30, 2023** **March 31, 2024**, pursuant to Rule 13a-15(b) of the Exchange Act, the Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Accounting and Administrative Operating Officer, who serves as the principal accounting officer, of the effectiveness of the **design and operation of the** Company's disclosure controls and procedures (as defined in Rule **13a-15(r)** **13a-15(e)** and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer and Chief Accounting and Administrative Operating Officer concluded that the **design and operation of the** Company's disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024**.

The Company's disclosure controls and procedures are designed to **ensure provide reasonable assurance** that information required to be disclosed **by the Company** in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time **periods** **period** specified in the **applicable** rules and forms of the SEC. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Accounting and Administrative Operating Officer, as appropriate, to allow timely decisions regarding required disclosure.

##### **Change in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended **September 30, 2023** **March 31, 2024**, that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II — OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

For further information regarding legal proceedings, refer to **Note 16—15—Commitments and Contingencies** in the Notes to Condensed Consolidated Financial Statements in this **Quarterly Report on Form 10-Q**.

#### **ITEM 1A. RISK FACTORS**

Please refer to **"Part II, Item 1A — Risk Factors"** in the Company's Annual Report Form 10-K for the year ended **December 31, 2022** **December 31, 2023** filed on **March 7, 2023** **March 5, 2024**.

#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There was no unregistered sale of equity securities or repurchase activities during the three months ended **September 30, 2023** **March 31, 2024**.

#### **ITEM 5. OTHER INFORMATION**

##### **Trading Arrangements**

During the three months ended **September 30, 2023** **March 31, 2024**, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a "Rule 10b5-1 trading arrangement" or non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408 of Regulation S-K).

##### **Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934**

Pursuant to Section 13(r) of the Exchange Act, we may be required to disclose in our annual and quarterly reports to the SEC whether we or any of our "affiliates" knowingly engaged in certain activities, transactions or dealings relating to Iran or with certain individuals or entities targeted by US economic sanctions. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law. Because the SEC defines the term "affiliate" broadly, it includes any entity under common "control" with us (and the term "control" is also construed broadly by the SEC).

The description of the activities below has been provided to us by Blackstone Inc. ("BX"), affiliates of which: (i) beneficially own more than 10% of our outstanding common stock and are members of our board of directors, and (ii) hold a minority non-controlling interest in Mundys S.p.A (formerly Atlantia S.p.A). Mundys S.p.A. may therefore be deemed to be under common "control" with us; however, this statement is not meant to be an admission that common control exists.

The disclosure below relates solely to activities conducted by Mundys S.p.A. The disclosure does not relate to any activities conducted by us or by BX and does not involve our or BX's management. Neither we nor BX has had any involvement in or control over the disclosed activities, and neither we nor BX has independently verified or participated in the preparation of the disclosure. Neither we nor BX is representing as to the accuracy or completeness of the disclosure nor do we or BX undertake any obligation to correct or update it.

We understand that BX disclosed the following in their most recent quarterly report on Form 10-Q, and as of **November 9, 2023** **March 31, 2024**, the Company is unaware of any changes to the relationship status between BX and Mundys S.p.A, therefore, the Company included BX's disclosure of certain activities, transactions or dealings between BX and Iran.

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934. Funds affiliated with Blackstone first invested in Mundys S.p.A. on November 18, 2022 in connection with the voluntary public tender offer by Schema Alfa S.p.A. for all of the shares of Mundys S.p.A., pursuant to which such funds obtained a minority **non-controlling** **noncontrolling** interest in Mundys S.p.A. Mundys S.p.A. owns and controls Aeroporti di Roma S.p.A. ("ADR"), an operator of airports in Italy including Leonardo da Vinci-Fiumicino Airport. Iran Air has historically operated periodic flights to and from Leonardo da Vinci-Fiumicino Airport as authorized, from time to time, by an aviation-related bilateral agreement between Italy and Iran, scheduled in compliance with European Regulation 95/93, and approved by the Italian Civil Aviation Authority. ADR, as airport operator, is under a mandatory obligation to provide airport services to all air carriers (including Iran Air) authorized by the applicable Italian authority. The relevant turnover attributable to these activities (whose consideration is calculated on the basis of general tariffs determined by such independent Italian authority) in the quarter ended **September 30, 2023** **March 31, 2024** was less than **€65,000**, **€70,000**. Mundys S.p.A. does not track profits specifically attributable to these activities.

## ITEM 6. EXHIBITS

EXHIBIT NO.	EXHIBIT NO.	DESCRIPTION
EXHIBIT NO.		EXHIBIT NO.
2.1***		
2.1***		
2.1***	2.1***	Contribution Agreement, dated October 21, 2021, by and among Altus Midstream Company, Altus Midstream LP, New BCP Raptor Holdco, LLC, and BCP Raptor Holdco, LP.
3.1	3.1	Third Amended and Restated Certificate of Incorporation of Kinetik Holdings Inc.
3.1		
3.2		
3.2	3.2	Amended and Restated Bylaws of Kinetik Holdings Inc.
3.3	3.3	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of Kinetik Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2023).
3.3		
4.1		
4.1	4.1	Amended and Restated Stockholders Agreement, dated October 21, 2021, by and among APA Corporation, Apache Midstream LLC, Altus Midstream Company, New BCP Raptor Holdco, LLC, Raptor Aggregator, LP, BX Permian Pipeline Aggregator, LP, Buzzard Midstream LLC, and BCP Raptor Holdco, LP.
4.2	4.2	Second Amended and Restated Registration Rights Agreement, dated February 22, 2022, by and among Altus Midstream Company, Apache Midstream LLC, Raptor Aggregator, LP, BX Permian Pipeline Aggregator, LP, Buzzard Midstream LLC and the other holders party thereto.

4.2			
4.2			
4.3			
4.3			
4.3	4.3	–	<a href="#">Indenture, dated June 8, 2022, by and among Kinetik Holdings Inc., as parent, Kinetik Holdings LP, as issuer, and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 14, 2022).</a>
4.4	4.4	–	<a href="#">Form of 5.875% Senior Notes Due 2030 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on June 14, 2022).</a>
4.4			
4.4			
4.5			
4.5			
4.5			
4.5			
4.6			
4.6			
4.6			
10.1	10.1	–	<a href="#">Third Amended and Restated Agreement of Limited Partnership of Altus Midstream LP, dated as of October 22, 2021</a>
10.1			
10.1			
10.2†			
10.2†			
10.2†			
10.3†			
10.3†			
10.3†			
10.3†			
10.4†			
10.4†			
10.4†			
10.5†			
10.5†			
10.5†			
10.6†			
10.6†			
10.6†			
10.7†			
10.7†			
10.7†			
10.8†			
10.8†			
10.8†			
10.9***			
10.9***			
10.9***			
10.10***			
10.10***			
10.10***			
31.1**	–		<a href="#">Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
31.2**	–		<a href="#">Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>

31.1*			
31.1*			
31.1*			
31.2*			
31.2*			
31.2*			
32.1**			
32.1**			
32.1**			
32.1**	32.1**	—	<a href="#">Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(b) and 18 U.S.C. 1350.</a>
32.2**	32.2**	—	<a href="#">Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(b) and 18 U.S.C. 1350.</a>
32.2**			
32.2**			
101*			
101*			
101*	101*	—	The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Equity and Noncontrolling Interests and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
101.SCH*	101.SCH*	—	Inline XBRL Taxonomy Schema Document.
101.SCH*			
101.SCH*			
101.CAL*			
101.CAL*			
101.CAL*	101.CAL*	—	Inline XBRL Calculation Linkbase Document.
101.DEF*	101.DEF*	—	Inline XBRL Definition Linkbase Document.
101.DEF*			
101.DEF*			
101.LAB*			
101.LAB*			
101.LAB*	101.LAB*	—	Inline XBRL Label Linkbase Document.
101.PRE*	101.PRE*	—	Inline XBRL Presentation Linkbase Document.
101.PRE*			
101.PRE*			
104*	104*	—	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
104*			
104*			

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Schedules and exhibits to this Exhibit have been omitted pursuant to Regulation S-K Item 601(b)(2). The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

† Management contracts or compensatory plans or arrangements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KINETIK HOLDINGS INC.

Dated: **November May 9, 2023 2024**

/s/ Jamie Welch

Jamie Welch

*Chief Executive Officer, President and Director  
(Principal Executive Officer)*

Dated: **November May 9, 2023 2024**

/s/ Steven Stellato

Steven Stellato

*Executive Vice President, Chief Accounting and Chief Administrative Officer  
(Principal Financial Officer)*

**4536**

**EXHIBIT 31.1**

## CERTIFICATIONS

I, Jamie Welch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kinetik Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 9, 2024

/s/ Jamie Welch

Jamie Welch

Chief Executive Officer, President and Director

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Steven Stellato, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kinetik Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 9, 2023** May 9, 2024

/s/ Steven Stellato

Steven Stellato

Executive Vice President, Chief Accounting and Chief Administrative Officer

**EXHIBIT 32.1**

**KINETIK HOLDINGS INC.**

**Certification of Principal Executive Officer**

I, Jamie Welch, Chief Executive Officer, President and Director, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of Kinetik Holdings Inc. for the quarterly period ending **September 30, 2023** **March 31, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Kinetik Holdings Inc.

Date: **November 9, 2023** May 9, 2024

/s/ Jamie Welch

Jamie Welch

Chief Executive Officer, President and Director

**EXHIBIT 32.2**

**KINETIK HOLDINGS INC.**

**Certification of Principal Financial Officer**

I, Steven Stellato, Executive Vice President, Chief Accounting and Chief Administrative Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of Kinetik Holdings Inc. for the quarterly period ending **September 30, 2023** **March 31, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Kinetik Holdings Inc.

Date: **November 9, 2023** May 9, 2024

/s/ Steven Stellato

Steven Stellato

Executive Vice President, Chief Accounting and Chief Administrative Officer

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.