

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

**Form 10-Q**

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

For the quarter ended September 30, 2017

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 001-38050

**Hess Midstream Partners LP**

*(Exact name of Registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of  
incorporation or organization)*

**1501 McKinney Street**

**Houston, TX**

*(Address of principal executive offices)*

**36-4777695**

*(I.R.S. Employer  
Identification Number)*

**77010**

*(Zip Code)*

**(Registrant's telephone number, including area code, is (713) 496-4200)**

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 submitted electronically and posted on its Corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post 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 type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by checkmark 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

At September 30, 2017, the registrant had 27,279,654 common units and 27,279,654 subordinated units outstanding.

HESS MIDSTREAM PARTNERS LP  
FORM 10-Q

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**PART I—FINANCIAL INFORMATION**  
**HESS MIDSTREAM PARTNERS LP**

**CONSOLIDATED BALANCE SHEETS**

**Item 1. Financial Statements**

(in millions, except unit amounts)	September 30, 2017 (unaudited)	December 31, 2016 <i>Predecessor</i>
<b>Assets</b>		
Cash	\$ 48.0	\$ 0.3
Accounts receivable—affiliate	59.7	44.6
Other current assets	0.8	2.8
Total current assets	108.5	47.7
Property, plant and equipment, net	2,506.4	2,518.6
Other noncurrent assets	3.4	8.4
Total assets	<u>\$ 2,618.3</u>	<u>\$ 2,574.7</u>
<b>Liabilities</b>		
Accounts payable—trade	\$ 7.6	\$ 28.8
Accounts payable—affiliate	11.6	241.3
Accrued liabilities	26.4	57.8
Other current liabilities	5.1	4.1
Total current liabilities	50.7	332.0
Other noncurrent liabilities	6.0	4.3
Total liabilities	56.7	336.3
<b>Partners' capital</b>		
Net parent investment - Predecessor	-	2,238.4
Common unitholders - public (2017 - 16,997,000 units issued and outstanding, 2016 - 0)	358.5	-
Common unitholders - affiliate (2017 - 10,282,654 units issued and outstanding, 2016 - 0)	41.0	-
Subordinated unitholders - affiliate (2017 - 27,279,654 units issued and outstanding, 2016 - 0)	108.9	-
General partner	14.8	-
Total Hess Midstream Partners LP partners' capital	523.2	-
Noncontrolling interest	2,038.4	-
Total partners' capital	2,561.6	2,238.4
Total liabilities and partners' capital	<u>\$ 2,618.3</u>	<u>\$ 2,574.7</u>

See accompanying notes to unaudited consolidated financial statements.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

(in millions, except per unit amounts)	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b> <i>Predecessor</i>	<b>2017</b>	<b>2016</b> <i>Predecessor</i>
<b>Revenues</b>				
Affiliate	\$ 146.7	\$ 120.3	\$ 415.3	\$ 358.2
<b>Total revenues</b>	<b>146.7</b>	<b>120.3</b>	<b>415.3</b>	<b>358.2</b>
<b>Costs and expenses</b>				
Operating and maintenance expenses (exclusive of depreciation shown separately below)	39.6	44.9	117.3	141.8
Depreciation expense	28.5	24.7	83.8	72.1
General and administrative expenses	1.7	2.3	5.6	7.6
<b>Total costs and expenses</b>	<b>69.8</b>	<b>71.9</b>	<b>206.7</b>	<b>221.5</b>
Income (loss) from operations	76.9	48.4	208.6	136.7
Interest expense	0.4	-	0.9	1.4
<b>Net income (loss)</b>	<b>76.5</b>	<b>\$ 48.4</b>	<b>207.7</b>	<b>\$ 135.3</b>
Less: Net income (loss) prior to the IPO on April 10, 2017	-		68.2	
Less: Net income (loss) attributable to noncontrolling interest subsequent to the IPO on April 10, 2017	61.5		113.1	
<b>Net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017</b>	<b>15.0</b>		<b>26.4</b>	
Less: General partner interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	0.3		0.5	
<b>Limited partners' interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017</b>	<b>\$ 14.7</b>		<b>\$ 25.9</b>	
<b>Net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017 per limited partner unit (basic and diluted):</b>				
Common	\$ 0.27		\$ 0.48	
Subordinated	\$ 0.27		\$ 0.48	
<b>Weighted average limited partner units outstanding (basic and diluted):</b>				
Common	27.3		26.7	
Subordinated	27.3		26.7	
<b>Cash distributions declared per unit (*)</b>	<b>\$ 0.3107</b>		<b>\$ 0.5810</b>	

(\*) Represents cash distributions declared during the month following the end of each respective quarterly period. See Note 14, Subsequent Event.

See accompanying notes to unaudited consolidated financial statements.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**

**CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**  
**(UNAUDITED)**

	Partners' Capital						Net Parent Investment Predecessor	Total
	Limited Partners			General Partner	Noncontrolling Interest	Total		
	Common Unitholders Public	Common Unitholders Affiliate	Subordinated Unitholders Affiliate					
(in millions)								
Balance at December 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,098.8	\$ 2,098.8	
Net income (loss)						135.3	135.3	
Contribution of property, plant and equipment	-	-	-	-	-	59.0	59.0	
Other contributions from (distributions to) parent, net	-	-	-	-	-	(92.6)	(92.6)	
Balance at September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200.5</u>	<u>\$ 2,200.5</u>	
Balance at December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,238.4	\$ 2,238.4	
Net income prior to the IPO on April 10, 2017	-	-	-	-	-	68.2	68.2	
Other contributions from parent, net, prior to the IPO on April 10, 2017	-	-	-	-	-	225.0	225.0	
Contribution of net assets to Hess Midstream Partners LP	-	134.6	357.2	14.6	2,025.2	(2,531.6)	-	
IPO proceeds, net of underwriters' discounts	365.5	-	-	-	-	-	365.5	
Offering costs	(10.7)	-	-	-	-	-	(10.7)	
Distribution of IPO proceeds	-	(95.7)	(253.8)	-	-	-	(349.5)	
Net income subsequent to the IPO on April 10, 2017	8.1	4.9	12.9	0.5	113.1	-	139.5	
Unit-based compensation	0.2	-	-	-	-	-	0.2	
Distributions to unitholders	(4.6)	(2.8)	(7.4)	(0.3)	-	-	(15.1)	
Distributions to noncontrolling interest	-	-	-	-	(170.7)	-	(170.7)	
Contributions from noncontrolling interest	-	-	-	-	70.8	-	70.8	
Balance at September 30, 2017	<u>\$ 358.5</u>	<u>\$ 41.0</u>	<u>\$ 108.9</u>	<u>\$ 14.8</u>	<u>\$ 2,038.4</u>	<u>\$ -</u>	<u>\$ 2,561.6</u>	

See accompanying notes to unaudited consolidated financial statements.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

(in millions)	Nine Months Ended September 30,	
	2017	2016 <i>Predecessor</i>
Cash flows from operating activities		
Net income (loss)	\$ 207.7	\$ 135.3
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	83.8	72.1
Amortization of deferred financing costs	0.4	1.1
Unit-based compensation expense	0.2	-
Changes in assets and liabilities:		
Accounts receivable – affiliate	(15.1)	2.2
Other current and noncurrent assets	1.9	0.8
Accounts payable – trade	(21.2)	(17.8)
Accounts payable – affiliate	23.5	63.9
Accrued liabilities	(3.1)	21.8
Other current and noncurrent liabilities	0.9	(2.6)
Net cash provided by (used in) operating activities	279.0	276.8
Cash flows from investing activities		
Additions to property, plant and equipment	(98.1)	(184.2)
Net cash provided by (used in) investing activities	(98.1)	(184.2)
Cash flows from financing activities		
Cash distributions to parent prior to the IPO on April 10, 2017	(95.3)	(201.8)
Cash contributions from parent prior to the IPO on April 10, 2017	67.1	109.2
IPO proceeds, net of underwriters' discounts	365.5	-
Cash offering costs	(2.1)	-
Distribution of IPO proceeds to Hess and GIP	(349.5)	-
Financing costs	(3.9)	-
Distribution to unitholders	(15.1)	-
Distributions to noncontrolling interest	(170.7)	-
Contributions from noncontrolling interest	70.8	-
Net cash provided by (used in) financing activities	(133.2)	(92.6)
Increase (decrease) in cash and cash equivalents	47.7	-
Cash and cash equivalents, beginning of period	0.3	0.3
Cash and cash equivalents, end of period	\$ 48.0	\$ 0.3
Supplemental cash disclosures:		
Capital expenditures included in accrued liabilities at period end	\$ 17.7	\$ 45.8
Contribution to settle accounts payable – affiliate	253.2	-
Removal of historical capitalized offering costs	8.6	-
Contribution of property, plant and equipment	-	59.0

See accompanying notes to unaudited consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Description of Business**

Hess Midstream Partners LP (the “Partnership”) is a fee-based, growth oriented traditional master limited partnership formed by Hess Infrastructure Partners LP (“Hess Infrastructure Partners”), a midstream joint venture with a 50% ownership interest held by affiliates of Hess Corporation (collectively “Hess”) and a 50% ownership interest held by GIP II Blue Holding Partnership LP (“GIP”), to own, operate, develop and acquire a diverse set of midstream assets to provide services to Hess and third-party customers. The Partnership was initially formed by Hess on January 17, 2014, as a Delaware limited partnership.

On April 10, 2017, the Partnership completed its initial public offering (“IPO”) of 16,997,000 common units, which included 2,217,000 common units issued pursuant to the exercise of the underwriters’ over-allotment options, representing 30.5% limited partner interests in the Partnership (see Note 3, Initial Public Offering). In connection with the Partnership’s IPO, Hess Infrastructure Partners contributed a 20% controlling economic interest in each of (i) Hess North Dakota Pipelines Operations LP (“Gathering Opco”), which owns crude oil and natural gas gathering pipelines and compressor stations in North Dakota, (ii) Hess TGP Operations LP (“HTGP Opco”) which owns the Tioga Gas Plant (“TGP”), a natural gas processing and fractionation plant, including a residue gas pipeline in North Dakota, and (iii) Hess North Dakota Export Logistics Operations LP (“Logistics Opco”), which owns a crude oil and natural gas liquids (“NGL”) rail loading facility, crude oil rail cars and a crude oil pipeline and truck receipt terminal in North Dakota, and a 100% ownership interest in Hess Mentor Storage Holdings LLC (“Mentor Storage Terminal”), which owns a propane storage cavern and related rail and truck loading and unloading and storage terminal in Minnesota, (collectively, the “Contributed Businesses”) to the Partnership.

The terms “we,” “our” and “us” as used in this report for periods prior to the IPO refer collectively to Hess Midstream Partners LP Predecessor, our predecessor for accounting purposes (“the Predecessor”), and for periods after the IPO refer to the Partnership, unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity within the Predecessor or the Partnership. The term “parent” refers to Hess Infrastructure Partners.

Our assets and operations are organized into the following three segments: (1) gathering, (2) processing and storage and (3) terminaling and export (see Note 13, Segments).

**Note 2. Basis of Presentation**

**Consolidation**

Prior to the IPO on April 10, 2017, our financial position, results of operations and cash flows consisted of the Predecessor, which represented a combined reporting entity. The consolidated financial statements of our Predecessor have been recast to include activities and balances of Hess Midstream Partners LP prior to the IPO. Subsequent to the IPO, our financial position, results of operations and cash flows consist of consolidated Hess Midstream Partners LP activities and balances. The assets and liabilities in our consolidated financial statements have been reflected on a historical cost basis as immediately prior to the IPO all of the assets and liabilities presented were wholly-owned by Hess Infrastructure Partners and were transferred within the Hess Infrastructure Partners consolidated group.

We consolidate the activities of Gathering Opco, HTGP Opco and Logistics Opco, which qualify as variable interest entities (“VIE”) under U.S. generally accepted accounting principles (“GAAP”). We have concluded that we are the primary beneficiary of each VIE, as defined in the accounting standards, since we have the power through our general partner and limited partner interests to direct those activities that most significantly impact the economic performance of the Contributed Businesses and have a right to receive benefits and an obligation to absorb losses that could potentially be significant. The conclusion was based on a qualitative analysis that considered the governance structure, the voting rights established between the members which provide us the ability to control the operations of the Contributed Business, and the absence of substantive kick-out or substantive participating rights of limited partners over the general partners. All financial statement activities associated with VIEs are captured within gathering, processing and storage, and terminaling and export segments (see Note 13, Segments). We reflect a noncontrolling interest representing the retained limited partner interest owned by Hess Infrastructure Partners in the Contributed Businesses in the consolidated financial statements of the Partnership. All intercompany transactions and balances within the Partnership have been eliminated.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The consolidated financial statements included in this report reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our consolidated financial position at September 30, 2017 and December 31, 2016, the consolidated results of operations for the three and nine months ended September 30, 2017 and 2016, and consolidated cash flows for the nine months ended September 30, 2017 and 2016. The unaudited results of operations for the interim periods reported are not necessarily indicative of results to be expected for the full year.

The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by U.S. GAAP have been condensed or omitted from these interim consolidated financial statements. These financial statements, therefore, should be read in conjunction with the financial statements and related notes included in the prospectus of Hess Midstream Partners LP dated April 4, 2017, as filed with the SEC on April 6, 2017 (the "Prospectus").

**Summary of Significant Accounting Policies**

**Unit-based compensation.** Unit-based compensation issued to the officers, directors and employees of our general partner is recorded at grant-date fair value. Expense is recognized on a straight-line basis over the vesting period of the award and is included in General and administrative expenses in the accompanying consolidated statements of operations.

**Net income per limited partner unit.** We have identified the general partner interest and the incentive distribution rights ("IDRs") as participating securities and compute income per unit using the two-class method under which net income per unit is calculated for common units and participating securities considering both distributions declared and participation rights in undistributed earnings as if all such earnings had been distributed during this period. Net income per unit applicable to limited partners, including subordinated unitholders, is computed by dividing limited partners' interest in net income, after deducting the general partner's 2% interest and incentive distributions, by the weighted-average number of outstanding common and subordinated units.

**Income taxes.** We are not a separate taxable entity for U.S. Federal and state income tax purposes; therefore, we do not provide for income tax benefit or expense. Each partner is subject to income taxes on its share of the Partnership's earnings.

**New Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as a new Accounting Standards Codification (ASC) Topic, ASC 606. This ASU is effective for us beginning in the first quarter of 2018. As of September 30, 2017, our analysis of contracts with customers against the requirements of the standard is largely complete. Based on our assessment to date, we have not identified any changes to the timing of revenue recognition based on the requirements of ASC 606 that would have a material impact on our consolidated financial statements. We plan to adopt ASC 606 using the modified retrospective method that requires application of the new standard prospectively from the date of adoption with a cumulative effect adjustment, if any, recorded to partners' capital as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*, as a new ASC Topic, ASC 842. The new standard will require the recognition of assets and liabilities for all leases with lease terms greater than one year, including leases currently treated as operating leases under the existing standard. This ASU is effective for us beginning in the first quarter of 2019, with early adoption permitted. We have developed a project plan for the implementation of ASC 842 in the first quarter of 2019 and begun assessing existing leases against the requirements of the standard. We continue to assess the impact of the ASU on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*. This ASU makes changes to the impairment model for trade receivables, net investments in leases, debt securities, loans and certain other instruments. The standard requires the use of a forward-looking "expected loss" model compared to the current "incurred loss" model. This ASU is effective for us beginning in the first quarter of 2020, with early adoption permitted from the first quarter of 2019. We are currently assessing the impact of the ASU on our consolidated financial statements.



**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 3. Initial Public Offering**

On April 5, 2017, the Partnership's common units began trading on the New York Stock Exchange under the symbol "HESM". On April 10, 2017, the Partnership closed its IPO of 16,997,000 common units, which included 2,217,000 common units issued pursuant to the exercise of the underwriters' over-allotment option, representing 30.5% limited partner interests in the Partnership at a price to the public of \$23.00 per unit. The net proceeds from the IPO of approximately \$365.5 million, after deducting the underwriters' discounts and structuring fees of \$25.4 million, were used to make a \$350.6 million distribution to Hess Infrastructure Partners and pay the origination fees on our new revolver and other offering costs. The Partnership retained and used the remaining proceeds of \$10.0 million for general partnership purposes, including for funding our working capital needs.

In connection with the IPO, the Partnership entered into a contribution, conveyance and assumption agreement with Hess Infrastructure Partners pursuant to which Hess Infrastructure Partners contributed to us a 20% controlling economic interest in each of Gathering Opco, HTGP Opco, Logistics Opco, and a 100% interest in Mentor Holdings. In exchange for the Contributed Businesses, Hess Infrastructure Partners became entitled to receive:

- 10,282,654 common units and 27,279,654 subordinated units, representing an aggregate 67.5% limited partner interest in the Partnership;
- All of the Partnership's incentive distribution rights;
- A 2% general partner interest in the Partnership, and
- An aggregate cash distribution of approximately \$350.6 million.

Further, pursuant to the contribution, conveyance and assumption agreement, Hess Infrastructure Partners directed the Partnership to issue, and the Partnership issued, 50% of the above mentioned common and subordinated units directly to Hess and 50% directly to GIP, used \$1.1 million to pay certain offering costs and distributed \$349.5 million to Hess and GIP.

As part of the contribution, conveyance and assumption agreement, Hess Infrastructure Partners also agreed to bear the full cost of capital expenditures related to certain identified uncompleted maintenance capital projects associated with the Contributed Businesses to the extent such projects are commenced prior to the second anniversary of the closing of the IPO. Hess Infrastructure Partners also agreed to pay all costs related to certain other identified maintenance capital projects related to the Contributed Businesses that are incurred prior to the second anniversary of the closing of the IPO up to an aggregate maximum of \$20.0 million, and all costs of any unanticipated maintenance capital projects undertaken by the Contributed Businesses through March 31, 2018, up to a maximum of \$10.0 million on a 100% basis.

**Note 4. Related Party Transactions**

We are part of the consolidated operations of Hess, and all of our revenues as shown on the accompanying unaudited consolidated statements of operations for the three and nine months ended September 30, 2017 and 2016 were derived from transactions with Hess and its affiliates, although we plan to provide our services to third parties in the future. Hess also provides substantial operational and administrative services to us in support of our assets and operations.

**Commercial Agreements**

Effective January 1, 2014, we entered into multiple long-term, fee-based commercial agreements with certain subsidiaries of Hess that included dedications covering all of Hess's existing and future owned or controlled production in the Bakken, minimum volume commitments, inflation escalators, and fee recalculation mechanisms. Under those agreements through December 31, 2016, if Hess delivered volumes less than applicable commitments during any quarter, Hess would pay us a shortfall fee equal to the volume deficiency multiplied by the related gathering, processing or terminaling fee, which was initially reported in deferred revenue. Shortfall fee payments were available to be credited against future fees for volumes delivered to us in excess of Hess's nominated volumes up to four quarters after such credit was established. Unused shortfall credits by Hess, which expired after one year, were recognized as revenue. On December 31, 2016, we amended and restated certain of our commercial agreements to remove the shortfall fee credit provision and reset the minimum volume commitments. Under the amended and restated commercial agreements, volume deficiencies are measured quarterly and recognized as revenue in the same period and any associated shortfall payments are not subject to future reduction or offset. As a result, \$13.4 million and \$48.5 million of minimum volume shortfall fee payments were earned during the three and nine months ended September 30, 2017, respectively (2016: \$0.1 and \$0.5 million, respectively).

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and nine months ended September 30, 2017 and 2016, approximately 100% of our revenues were attributable to our fee-based commercial agreements with Hess, including revenues from third-party volumes contracted with Hess and delivered to us under these agreements. We are actively marketing our midstream services to, and are pursuing strategic relationships with, third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates and diversify our customer base.

During the three and nine months ended September 30, 2017, we recognized, as part of the affiliate revenues, \$3.4 million and \$13.4 million, respectively (2016: \$6.7 million and \$23.9 million, respectively), of reimbursements from Hess related to third-party rail transportation costs. In addition, during the three and nine months ended September 30, 2017, we recognized, as part of affiliate revenues, \$6.6 million and \$18.3 million, respectively (2016: \$6.2 million and \$17.8 million, respectively), of reimbursements from Hess related to electricity fees. These related costs were included in Operating and maintenance expenses in the accompanying unaudited consolidated statements of operations.

***Omnibus and Employee Secondment Agreements***

In connection with the Partnership's IPO, we entered into an omnibus agreement with Hess and Hess Infrastructure Partners under which we pay Hess on a monthly basis an amount equal to the total allocable costs of Hess's employees and contractors, subcontractors or other outside personnel engaged by Hess and its subsidiaries to the extent such employees and outside personnel perform operational and administrative services for us in support of our assets, plus a specified percentage markup of such amount depending on the type of service provided, as well as an allocable share of direct costs of providing these services. The omnibus agreement also includes our right of first offer to acquire certain of Hess Infrastructure Partners' midstream assets, including Hess Infrastructure Partners' retained interests in the Contributed Businesses and Hess Infrastructure Partners' indemnification of us for certain matters, including certain pre-closing environmental, title and tax matters. Pursuant to the omnibus agreement, we agreed to indemnify Hess Infrastructure Partners for certain post-closing matters under this agreement, including certain post-closing environmental liabilities.

In connection with the Partnership's IPO, we also entered into an employee secondment agreement with Hess under which certain employees of Hess are seconded to our general partner to provide services with respect to our assets and operations, including executive oversight, business and corporate development, unitholder and investor relations, communications and public relations, routine and emergency maintenance and repair services, routine operational services, routine administrative services, construction services, and such other operational, commercial and business services that are necessary to develop and execute the Partnership's business strategy. On a monthly basis, we pay a secondment fee to Hess that is intended to cover and reimburse Hess for the total costs actually incurred by Hess and its affiliates in connection with employing the seconded employees to the extent such total costs are attributable to the provision of services with respect to the Partnership's assets and operations.

For the three and nine months ended September 30, 2017 and 2016, we had the following charges from Hess, including for the services agreements described above and expenses directly charged and allocated to the Predecessor. The classification of these charges between operating and maintenance expenses and general and administrative expenses is based on the fundamental nature of the services being performed for our operations.

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
(in millions)		<i>Predecessor</i>		<i>Predecessor</i>
Operating and maintenance expenses	\$ 13.7	\$ 14.7	\$ 41.2	\$ 47.4
General and administrative expenses	1.4	2.3	4.3	7.6
Total	<u>\$ 15.1</u>	<u>\$ 17.0</u>	<u>\$ 45.5</u>	<u>\$ 55.0</u>

Prior to the IPO, Hess Infrastructure Partners funded certain expansion capital expenditures mainly related to the construction of Hawkeye Gas and Oil Facilities for our gathering business. As of December 31, 2016, Accounts payable—affiliate included \$226.2 million payable to Hess Infrastructure Partners related to funding of capital expenditures, with the remaining balances payable to Hess for operating and maintenance and general and administrative charges. Immediately prior to the closing of the IPO, all balances payable to Hess Infrastructure Partners totaling \$253.2 million were settled via capital contributions from Hess Infrastructure Partners.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Prepaid Forward Purchase and Sales Agreement**

In 2015, we entered into a Prepaid Forward Purchase and Sales Agreement with Hess to receive 550 crude oil rail cars for an estimated purchase price of \$104.1 million, all of which were received in 2016. In connection with this agreement, Hess contributed to us \$104.1 million, which was recorded as a capital contribution in Net parent investment and was subsequently used to prepay the purchase of the crude oil rail cars from Hess. During the nine months ended September 30, 2016, we recognized \$54.1 million in Property, plant and equipment and in Contribution of property, plant and equipment.

**Note 5. Property, Plant and Equipment**

Property, plant and equipment, at cost, is as follows:

(in millions, except for number of years)	<u>Estimated useful lives</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u> <i>Predecessor</i>
<b>Gathering assets</b>			
Pipelines	22 years	\$ 822.5	\$ 802.8
Compressors, pumping stations and terminals	22 to 25 years	504.1	182.0
<b>Gas plant assets</b>			
Pipelines, pipes and valves	22 to 25 years	460.0	460.0
Equipment	12 to 30 years	428.2	428.2
Buildings	35 years	182.3	182.3
Processing and fractionation facilities	25 years	157.9	154.7
Logistics facilities and railcars	20 to 25 years	370.9	346.0
Storage facilities	20 to 25 years	19.5	19.5
Other	20 to 25 years	9.1	7.2
Construction-in-progress	N/A	126.6	426.8
Total property, plant and equipment, at cost		3,081.1	3,009.5
Accumulated depreciation		(574.7)	(490.9)
Property, plant and equipment, net		<u>\$ 2,506.4</u>	<u>\$ 2,518.6</u>

**Note 6. Accrued Liabilities**

Accrued liabilities are as follows:

(in millions)	<u>September 30, 2017</u>	<u>December 31, 2016</u> <i>Predecessor</i>
Accrued capital expenditures	\$ 17.7	\$ 46.0
Other accruals	8.7	11.8
Total	<u>\$ 26.4</u>	<u>\$ 57.8</u>

**Note 7. Debt and Interest Expense**

**Revolving Credit Facility**

On March 15, 2017, we entered into a four-year, \$300.0 million senior secured revolving credit facility that became available to us upon the closing of the IPO on April 10, 2017. The credit facility can be used for borrowings and letters of credit to fund operating activities and capital expenditures of the Partnership. Borrowings on the credit facility generally bear interest at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on the Partnership's leverage ratio, which is calculated as total debt to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (as defined in the credit facility). Facility fees accrue at 0.275% per annum and are paid quarterly. If the Partnership obtains credit ratings, pricing levels will be based on our credit ratings in effect from time to time. The Partnership is subject to customary covenants in the credit agreement, including a financial covenant that generally requires a leverage ratio of no more than 4.5 to 1.0 for the prior four fiscal quarters. As of September 30, 2017, the revolving credit facility remained undrawn. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of the Partnership and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Subsidiary Guarantor**

In July 2015, Hess Infrastructure Partners entered into a five-year, \$600.0 million unsecured Term Loan A facility and a five-year, \$400.0 million unsecured syndicated revolving credit facility, which is available for Hess Infrastructure Partners' general partnership purposes. Prior to the IPO, Gathering Opco, one of the Contributed Businesses, was an initial subsidiary guarantor under both of these credit facilities. In connection with the Partnership's IPO, Gathering Opco was released from its obligation as a guarantor under the Hess Infrastructure Partners credit facilities on April 10, 2017.

**Note 8. Distributions**

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date. Distributions paid during the nine months ended September 30, 2017 were as follows:

<u>Period</u>	<u>Record Date</u>	<u>Distribution Date</u>	<u>Distribution per Common and Subordinated Unit</u>
Second Quarter 2017 (1)	August 4, 2017	August 14, 2017	\$ 0.2703

(1) The distribution for the second quarter 2017 has been prorated from the closing of the Partnership's IPO on April 10, 2017 and equates to the minimum quarterly distribution of \$0.3000 per unit on a full quarter basis.

On October 24, 2017, the board of directors of our general partner declared a quarterly cash distribution of \$0.3107 per common and subordinated unit for the quarter ended September 30, 2017, an increase of 3.6% compared with the prior quarter. The distribution will be payable on November 13, 2017, to unitholders of record as of the close of business on November 3, 2017 (see Note 14, Subsequent Event).

**Note 9. Unit-Based Compensation**

In connection with the Partnership's IPO, we adopted the Hess Midstream Partners LP 2017 Long-Term Incentive Plan (the "LTIP"). Awards under the LTIP are available for officers, directors and employees of our general partner or its affiliates, and any individuals who perform services for the Partnership. The LTIP provides the Partnership with the flexibility to grant unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. The LTIP initially limits the number of common units that may be delivered pursuant to vested awards to 3,000,000 common units.

In connection with the consummation of our IPO, we granted awards of phantom units with distribution equivalent rights to certain officers, employees and directors. These phantom units and distribution equivalent rights will vest ratably over a three-year period beginning on the first anniversary of the consummation of the IPO for officers and employees, and over a one-year period for directors. Cash distributions on the phantom units will accumulate and be paid upon vesting. Fair value of phantom units is based on the fair value of the Partnership's common units on the grant date.

Unit-based award activity for the nine months ended September 30, 2017 was as follows:

	<u>Number of Units</u>	<u>Weighted Average Award Date Fair Value</u>
Outstanding and unvested units at December 31, 2016	-	\$ -
Granted	45,214	22.86
Outstanding and unvested units at September 30, 2017	45,214	\$ 22.86

As of September 30, 2017, \$0.8 million of compensation cost related to all of our unvested phantom units awarded under the LTIP remained to be recognized. The cost is expected to be recognized over a weighted-average period of 2.4 years.

**Note 10. Net Income per Limited Partner Unit**

Net income per limited partner unit is computed by dividing the respective limited partners' interest in net income attributable to Hess Midstream Partners LP by the weighted average number of common and subordinated units outstanding. Because we have more than one class of participating securities, we use the two-class method when calculating net income per limited partner unit. The classes of participating securities include common units, subordinated units, general partner units and incentive distribution rights.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Net income per limited partner unit is only calculated for the periods subsequent to the IPO as no units were outstanding prior to April 10, 2017. The following table illustrates the Partnership's calculation of net income per limited partner unit:

(in millions, except per unit amounts)	<u>Three Months Ended</u> <u>September 30, 2017</u>	<u>Nine Months Ended</u> <u>September 30, 2017</u>
Net income (loss)	\$ 76.5	\$ 207.7
Less: Net income (loss) prior to the IPO on April 10, 2017	-	68.2
Less: Net income (loss) attributable to noncontrolling interest subsequent to the IPO on April 10, 2017	61.5	113.1
Net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	15.0	26.4
Less: General partner interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	0.3	0.5
Limited partners' interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	<u>\$ 14.7</u>	<u>\$ 25.9</u>
Common unitholders' interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	\$ 7.4	\$ 13.0
Subordinated unitholders' interest in net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	\$ 7.3	\$ 12.9
Net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017 per limited partner unit:		
Common (basic and diluted)	\$ 0.27	\$ 0.48
Subordinated (basic and diluted)	\$ 0.27	\$ 0.48
Weighted average number of limited partner units outstanding:		
Common (basic and diluted)	27.3	26.7
Subordinated (basic and diluted)	27.3	26.7

**Note 11. Concentration of Credit Risk**

Hess represented approximately 100% of our total revenues and accounts receivable for the three and nine months ended September 30, 2017 and 2016.

**Note 12. Commitments and Contingencies**

**Environmental Contingencies**

The Partnership is subject to federal, state and local laws and regulations relating to the environment. As of September 30, 2017 and December 31, 2016, accrued liabilities for remediation totaled \$3.4 million and \$3.3 million, respectively.

**Legal Proceedings**

In the ordinary course of business, the Partnership is from time to time party to various judicial and administrative proceedings. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of a known contingency, we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued.

As of September 30, 2017 and December 31, 2016, we did not have accrued liabilities for any legal contingencies. Based on currently available information, we believe it is remote that the outcome of known matters would have a material adverse impact on our financial condition, results of operations or cash flows.

**Note 13. Segments**

Our operations are located in the United States and are organized into three reportable segments: (1) gathering, (2) processing and storage and (3) terminaling and export. Our reportable segments comprise the structure used by our Chief Operating Decision Maker ("CODM") to make key operating decisions and assess performance. These segments are strategic business units with differing products and services. Our CODM evaluates the segments' operating performance based on multiple measures including Adjusted EBITDA, defined as earnings before interest, income tax, depreciation and amortization, as further adjusted for other non-cash, non-recurring items, if applicable.

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following tables reflect certain financial data for each reportable segment:

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP</u>
<b>For the Three Months Ended September 30, 2017</b>					
Affiliate revenues	\$ 72.1	\$ 58.5	\$ 16.1	\$ -	\$ 146.7
Net income (loss)	41.5	32.0	3.8	(0.8)	76.5
Net income (loss) attributable to Hess Midstream Partners LP	8.2	6.7	0.9	(0.8)	15.0
Depreciation expense	13.8	10.9	3.8	-	28.5
Interest expense	-	-	-	0.4	0.4
Adjusted EBITDA	55.3	42.9	7.6	(0.4)	105.4
Adjusted EBITDA attributable to Hess Midstream Partners LP	11.0	8.9	1.6	(0.4)	21.1
Capital expenditures	13.1	5.4	7.2	-	25.7

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP Predecessor</u>
<b>For the Three Months Ended September 30, 2016</b>					
Affiliate revenues	\$ 50.2	\$ 51.1	\$ 19.0	\$ -	\$ 120.3
Net income (loss)	21.7	26.3	0.4	-	48.4
Depreciation expense	10.2	11.0	3.5	-	24.7
Interest expense	-	-	-	-	-
Adjusted EBITDA	31.9	37.3	3.9	-	73.1
Capital expenditures	73.6	3.0	7.9	-	84.5

**PART I—FINANCIAL INFORMATION (CONT'D)**  
**HESS MIDSTREAM PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP</u>
<b>For the Nine Months Ended September 30, 2017</b>					
Affiliate revenues	\$ 198.8	\$ 167.4	\$ 49.1	\$ -	\$ 415.3
Net income (loss)	110.4	90.9	8.7	(2.3)	207.7
Net income (loss) attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	15.2	12.1	1.4	(2.3)	26.4
Depreciation expense	39.9	32.7	11.2	-	83.8
Interest expense	-	-	-	0.9	0.9
Adjusted EBITDA	150.3	123.6	19.9	(1.4)	292.4
Adjusted EBITDA attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	20.5	16.2	2.8	(1.4)	38.1
Capital expenditures	41.1	10.5	18.2	-	69.8

(in millions)	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP Predecessor</u>
<b>For the Nine Months Ended September 30, 2016</b>					
Affiliate revenues	\$ 147.6	\$ 148.0	\$ 62.6	\$ -	\$ 358.2
Net income (loss)	64.7	70.3	1.7	(1.4)	135.3
Depreciation expense	29.3	33.1	9.7	-	72.1
Interest expense	-	-	-	1.4	1.4
Adjusted EBITDA	94.0	103.4	11.4	-	208.8
Capital expenditures	139.4	33.1	12.8	-	185.3

Total assets for the reportable segments are as follows:

(in millions)	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Gathering	\$ 1,261.2	\$ 1,246.7
Processing and Storage	977.6	1,000.0
Terminaling and Export	327.3	327.7
Interest and Other	52.2	0.3
Total assets	<u>\$ 2,618.3</u>	<u>\$ 2,574.7</u>

**Note 14. Subsequent Event**

On October 24, 2017, the board of directors of our general partner declared a quarterly cash distribution of \$0.3107 per common unit for the quarter ended September 30, 2017, (see Note 8, Distributions).

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

*Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited financial statements and accompanying footnotes included under Item 1. Financial Statements and in conjunction with the audited consolidated financial statements and accompanying footnotes in our prospectus related to the initial public offering of Hess Midstream Partners LP dated April 4, 2017, as filed with the SEC on April 6, 2017 (the "Prospectus").*

*Unless the context otherwise requires, references in this report to (i) "we," "us," "our" or like terms, when used in a historical context, refer to Hess Midstream Partners LP Predecessor, our Predecessor for accounting purposes (the "Predecessor"), and, when used in the present tense or future tense, these terms refer to Hess Midstream Partners LP and its subsidiaries (the "Partnership"); (ii) "our general partner", when used with respect to periods prior to the closing of the initial public offering and consummation of the related formation transactions, refer to Hess Midstream Partners GP LLC, and when used with respect to periods following the closing of the initial public offering and the consummation of the related formation transactions, refer to Hess Midstream Partners GP LP; (iii) "Hess" refer collectively to Hess Corporation and its subsidiaries, other than us, our subsidiaries and our general partner; (iv) "GIP" refer to GIP II Blue Holding Partnership, L.P., which owns interests in us and in Hess Infrastructure Partners, which in turn indirectly owns our general partner, and the funds managed by Global Infrastructure Management, LLC, and such funds' subsidiaries and affiliates, that hold interests in GIP II Blue Holding Partnership, L.P.; (v) "Hess Infrastructure Partners" or "parent" refer to Hess Infrastructure Partners LP, a midstream joint venture between Hess and GIP that, directly or indirectly, holds all of the interests in our general partner, and its subsidiaries, other than us and our subsidiaries.*

***This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors" included in the Prospectus.***

**Overview**

We are a fee-based, growth-oriented, traditional master limited partnership initially formed by Hess to own, operate, develop and acquire a diverse set of midstream assets to provide services to Hess and third-party customers. Our assets are primarily located in the Bakken and Three Forks shale plays in the Williston Basin area of North Dakota, which we refer to collectively as the Bakken. In mid-2015, Hess contributed certain of its existing midstream assets in the Bakken to Hess Infrastructure Partners, a midstream joint venture in which GIP purchased a 50% ownership interest for approximately \$2.675 billion, representing an aggregate value for Hess Infrastructure Partners of approximately \$5.35 billion.

On April 10, 2017, Hess Infrastructure Partners contributed to us a 20% controlling economic interest in each of Hess North Dakota Pipeline Operations LP, Hess TGP Operations LP, Hess North Dakota Export Logistics Operations LP and a 100% ownership interest in Hess Mentor Storage Holdings LLC (collectively, the "Contributed Businesses") in connection with the closing of our initial public offering ("IPO") of 16,997,000 common units, which included 2,217,000 common units issued pursuant to the exercise of the underwriters' over-allotment option, representing a 30.5% limited partner interest in the Partnership, at a price to the public of \$23.00 per common unit. The Partnership received net proceeds of \$365.5 million, after deducting the underwriters' discounts and structuring fees of approximately \$25.4 million. The net proceeds were used to make a \$350.6 million distribution to Hess Infrastructure Partners and to pay approximately \$4.0 million in revolving credit facility origination fees and \$0.9 million in other offering costs. In exchange for the Contributed Businesses, Hess Infrastructure Partners also received 10,282,654 common units and 27,279,654 subordinated units, representing an aggregate 67.5% limited partner interest in the Partnership, all of the Partnership's incentive distribution rights, and a 2% general partner interest in the Partnership. Hess Infrastructure Partners directed the Partnership to issue, and the Partnership issued 50% of the above mentioned common and subordinated units directly to Hess and 50% directly to GIP, and also distributed \$349.5 million to Hess and GIP.



## **PART I – FINANCIAL INFORMATION (CONT'D)**

Our assets and operations are organized into the following three reportable segments: (1) gathering (2) processing and storage and (3) terminaling and export:

**Gathering.** Our gathering segment includes Hess North Dakota Pipeline Operations LP, or Gathering Opco, which owns the following assets:

- *Natural Gas Gathering and Compression.* A natural gas gathering and compression system located primarily in McKenzie, Williams and Mountrail Counties, North Dakota connecting Hess and third-party owned or operated wells to the Tioga Gas Plant and third-party pipeline facilities. The system also includes the Hawkeye Gas Facility, which was placed into service during the first quarter of 2017.
- *Crude Oil Gathering.* A crude oil gathering system located primarily in McKenzie, Williams, and Mountrail Counties, North Dakota, connecting Hess and third-party owned or operated wells to the Ramberg Terminal Facility and the Johnson's Corner Header System. The system also includes the Hawkeye Oil Facility that is not yet in service.

**Processing and Storage.** Our processing and storage segment includes Hess TGP Operations LP, or HTGP Opco, and Hess Mentor Storage Holdings LLC, or Mentor Holdings, which own the following assets, respectively:

- *Tioga Gas Plant (TGP).* A natural gas processing and fractionation plant located in Tioga, North Dakota.
- *Mentor Storage Terminal.* A propane storage cavern and rail and truck loading and unloading facility located in Mentor, Minnesota.

**Terminating and Export.** Our terminaling and export segment includes Hess North Dakota Export Logistics Operations LP, or Logistics Opco, which owns each of the following assets:

- *Ramberg Terminal Facility.* A crude oil pipeline and truck receipt terminal located in Williams County, North Dakota that is capable of delivering crude oil into an interconnecting pipeline for transportation to the Tioga Rail Terminal and to multiple third-party pipelines and storage facilities.
- *Tioga Rail Terminal.* A crude oil and natural gas liquids ("NGL") rail loading terminal in Tioga, North Dakota that is connected to the Tioga Gas Plant, the Ramberg Terminal Facility and our crude oil gathering system.
- *Crude Oil Rail Cars.* A total of 550 crude oil rail cars, constructed to the most recent DOT-117 safety standards, which we operate as unit trains consisting of approximately 100 to 110 crude oil rail cars.
- *Johnson's Corner Header System.* An approximately six-mile crude oil pipeline header system located in McKenzie County, North Dakota that receives crude oil by pipeline from Hess and third parties and delivers crude oil to third-party interstate pipeline systems. The Johnson's Corner Header System commenced operations in the third quarter of 2017.

We refer to the assets owned by Gathering Opco, HTGP Opco and Logistics Opco collectively as our "joint interest assets."

### **Third Quarter Results**

Significant financial and operating highlights for the third quarter of 2017 included:

- Net income of \$76.5 million, of which \$15.0 million is attributable to the Partnership;
- Net cash provided by operating activities of \$101.2 million;
- Adjusted EBITDA of \$105.4 million, of which \$21.1 million is attributable to the Partnership;
- Distributable cash flow of \$20.9 million;
- Cash distribution of \$0.3107 per unit, declared on October 24, 2017;
- Successful completion of the Johnson's Corner Header System project ahead of schedule and delivery of volumes from Hess and third parties into interstate pipelines south of the Missouri River;
- Compared with prior-year quarter, throughput volume increase of 10% for gas gathering, 5% for crude oil gathering, 9% for TGP processing and 39% for crude terminaling, driven by strong operating performance of the Partnership's assets, increased third-party volumes contracted with Hess and completion of the Johnson's Corner Header System project;
- Undrawn revolving credit facility with capacity of \$300.0 million as of September 30, 2017.

For additional information regarding our non-GAAP financial measures, see How We Evaluate Our Operations and Reconciliation of Non-GAAP Financial Measures below.

**How We Generate Revenues**

We generate substantially all of our revenues by charging fees for gathering, compressing and processing natural gas and fractionating NGLs; gathering, terminaling, loading and transporting crude oil and NGLs; and storing and terminaling propane. We have entered into long-term, fee-based commercial agreements with Hess, each of which has an initial 10-year term and is dated effective January 1, 2014. We have the unilateral right to renew each of these agreements for one additional 10-year term. These agreements include dedications covering substantially all of Hess's existing and future owned or controlled production in the Bakken, minimum volume commitments, inflation escalators and fee recalculation mechanisms, all of which are intended to provide us with cash flow stability and growth, as well as downside risk protection. In particular, Hess's minimum volume commitments under our commercial agreements provide minimum levels of cash flows and the fee recalculation mechanisms under the agreements allow fees to be adjusted annually to provide us with cash flow stability. Our revenues also include revenues from third-party volumes contracted with Hess and delivered to us under these commercial agreements with Hess, as well as pass-through third-party rail transportation costs and electricity fees for which we recognize revenues in an amount equal to the costs.

**How We Evaluate Our Operations**

Our management uses a variety of financial and operating metrics to analyze our operating results and profitability. These metrics include (i) volumes, (ii) operating and maintenance expenses, (iii) Adjusted EBITDA and (iv) distributable cash flow.

**Volumes.** The amount of revenues we generate primarily depends on the volumes of crude oil, natural gas and NGLs that we handle at our gathering, processing, terminaling, and storage facilities. These volumes are affected primarily by the supply of and demand for crude oil, natural gas and NGLs in the markets served directly or indirectly by our assets, including changes in crude oil prices, which may further affect volumes delivered by Hess. Although Hess has committed to minimum volumes under our commercial agreements described above, our results of operations will be impacted by our ability to:

- utilize the remaining uncommitted capacity of, or add additional capacity to, our existing assets, and optimize our existing assets;
- identify and execute expansion projects, and capture incremental throughput volumes from Hess and third parties for these expanded facilities;
- increase throughput volumes at our Ramberg Terminal Facility, Tioga Rail Terminal and the Johnson's Corner Header System by interconnecting with new or existing third-party gathering pipelines or by loading third-party rail cars; and
- increase throughput volumes at our Tioga Gas Plant by interconnecting with new or existing third-party gathering pipelines.

**Operating and Maintenance Expenses.** Our management seeks to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses are comprised primarily of costs charged to us under our omnibus agreement and employee secondment agreement, third-party contractor costs, utility costs, insurance premiums, third-party service provider costs, related property taxes and other non-income taxes and maintenance expenses, such as expenditures to repair, refurbish and replace storage facilities and to maintain equipment reliability, integrity and safety. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of substantial expenses, such as gas plant turnarounds. We seek to manage our maintenance expenditures by scheduling periodic maintenance on our assets in order to minimize significant variability in these expenditures and minimize their impact on our cash flow.

**Adjusted EBITDA and Distributable Cash Flow.** We define Adjusted EBITDA as net income (loss) plus interest expense, income tax expense (benefit) and depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance, such as other income and other non-cash, non-recurring items, if applicable. We define Adjusted EBITDA attributable to Hess Midstream Partners LP as Adjusted EBITDA less Adjusted EBITDA attributable to Hess Infrastructure Partners' retained interests in our joint interest assets. We use distributable cash flow to analyze our liquidity and performance. We define distributable cash flow as Adjusted EBITDA attributable to Hess Midstream Partners LP less cash paid for interest and maintenance capital expenditures. Distributable cash flow does not reflect changes in working capital balances. We have not quantified distributable cash flow for periods prior to the IPO on April 10, 2017.

Adjusted EBITDA and distributable cash flow are non-GAAP supplemental financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods;
- the ability of our assets to generate sufficient cash flow to make distributions to our unitholders;
- our ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of Adjusted EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. Adjusted EBITDA and distributable cash flow should not be considered as alternatives to GAAP net income (loss), income (loss) from operations, net cash provided by (used in) operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDA and distributable cash flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. Adjusted EBITDA or distributable cash flow should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definition of Adjusted EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

#### **Factors Affecting the Comparability of Our Financial Results**

Our results of operations subsequent to the IPO are not comparable to our Predecessor's historical results of operations for the reasons described below:

**Contribution of Controlling Interests in our Joint Interest Assets.** Our Predecessor's results of operations included 100% of the revenues and expenses associated with the Contributed Businesses. At the closing of the IPO, Hess Infrastructure Partners contributed to us a 20% controlling economic interest in each of Gathering Opco, HTGP Opco and Logistics Opco. For periods subsequent to the IPO, we consolidate the financial position and results of operations of our joint interest assets and reflect Hess Infrastructure Partners' retained interests in our joint interest assets as a noncontrolling interest in our consolidated financial statements.

**General and Administrative Expenses.** Our Predecessor's general and administrative expenses included direct monthly charges for the management and operation of our assets and certain expenses allocated by Hess for general corporate services, such as treasury, accounting, human resources and legal services. These expenses were charged or allocated to our Predecessor based on the nature of the expenses and our Predecessor's proportionate share of employee time or capital expenditures and operating expense. We also expect to incur an additional \$3.4 million of incremental annual general and administrative expenses as a result of being a separate publicly traded partnership that are not reflected in our Predecessor's historical consolidated financial statements.

**Financing.** There are differences in the way we finance our operations as compared to the way our Predecessor historically financed its operations. Historically, our Predecessor's operations were financed as part of Hess Infrastructure Partners' integrated operations and our Predecessor was not charged for financing its operations. Our Predecessor largely relied on internally-generated cash flows and capital contributions from Hess Infrastructure Partners to satisfy its capital expenditure requirements. We intend to make cash distributions to our unitholders at an initial minimum distribution rate of \$0.30 per unit per quarter (\$1.20 per unit on an annualized basis). Based on the terms of our cash distribution policy, we expect that we will distribute to our unitholders and our general partner most of the cash generated by our operations. As a result, we expect to fund future expansion capital expenditures and acquisitions primarily from external sources, including borrowings under our revolving credit facility and the issuance of debt and equity securities.

**Other Factors Expected to Significantly Affect Our Future Results**

We currently generate substantially all of our revenues under fee-based agreements with Hess, including third parties contracted with affiliates of Hess. These contracts promote cash flow stability and minimize our direct exposure to commodity price fluctuations, since we generally do not own any of the crude oil, natural gas, or NGLs that we handle and do not engage in the trading of crude oil, natural gas, or NGLs. However, commodity price fluctuations indirectly influence our activities and results of operations over the long term, since they can affect production rates and investments by Hess and third parties in the development of new crude oil and natural gas reserves. As a result of the decline in crude oil prices beginning in late 2014, Hess reduced its rig count to two rigs in the Bakken during 2016. During this time, minimum volume commitments provided minimum levels of cash flows and the fee recalculation mechanisms under the agreements supported cash flow stability. During the first quarter of 2017, Hess increased its rig count in the Bakken and is currently operating four rigs in the Bakken. The throughput volumes at our facilities depend primarily on the volumes of crude oil and natural gas produced by Hess in the Bakken, which, in turn, is ultimately dependent on Hess's exploration and production margins. Exploration and production margins depend on the price of crude oil, natural gas, and NGLs. These prices are volatile and influenced by numerous factors beyond our or Hess's control, including the domestic and global supply of and demand for crude oil, natural gas and NGLs. The commodities trading markets, as well as global and regional supply and demand factors, may also influence the selling prices of crude oil, natural gas and NGLs. Furthermore, our ability to execute our growth strategy in the Bakken will depend on crude oil and natural gas production in that area, which is also affected by the supply of and demand for crude oil and natural gas.

## Results of Operations

## Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Results of operations for the three months ended September 30, 2017 and 2016 are presented below. Unless otherwise noted herein, all results included in this report reflect the results of our Predecessor for accounting purposes, for periods prior to the closing of our IPO on April 10, 2017, as well as the results of the Partnership, for the period subsequent to the closing of the IPO (in millions, unless otherwise noted).

For the Three Months Ended September 30, 2017	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP</u>
<b>Revenues</b>					
Affiliate	\$ 72.1	\$ 58.5	\$ 16.1	\$ -	\$ 146.7
Total revenues	<u>72.1</u>	<u>58.5</u>	<u>16.1</u>	<u>-</u>	<u>146.7</u>
<b>Costs and expenses</b>					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	16.0	15.3	8.3	-	39.6
Depreciation expense	13.8	10.9	3.8	-	28.5
General and administrative expenses	0.8	0.3	0.2	0.4	1.7
Total costs and expenses	<u>30.6</u>	<u>26.5</u>	<u>12.3</u>	<u>0.4</u>	<u>69.8</u>
Income (loss) from operations	41.5	32.0	3.8	(0.4)	76.9
Interest expense	-	-	-	0.4	0.4
Net income (loss)	\$ 41.5	\$ 32.0	\$ 3.8	\$ (0.8)	\$ 76.5
Less: net income (loss) attributable to noncontrolling interest	<u>33.3</u>	<u>25.3</u>	<u>2.9</u>	<u>-</u>	<u>61.5</u>
Net income (loss) attributable to Hess Midstream Partners	<u>\$ 8.2</u>	<u>\$ 6.7</u>	<u>\$ 0.9</u>	<u>\$ (0.8)</u>	<u>\$ 15.0</u>
<b>Throughput volumes</b>					
Gas gathering (MMcf/d) <sup>(1)</sup>	229				229
Crude oil gathering (MBbl/d) <sup>(2)</sup>	61				61
TGP processing (MMcf/d) <sup>(1)</sup>		214			214
Crude terminals (MBbl/d) <sup>(2)</sup>			71		71
NGL loading (MBbl/d) <sup>(2)</sup>			13		13

(1) Million cubic feet per day

(2) Thousand barrels per day

**PART I – FINANCIAL INFORMATION (CONT'D)**

For the Three Months Ended September 30, 2016	Gathering	Processing and Storage	Terminals and Export	Interest and Other	Consolidated Hess Midstream Partners LP Predecessor
<b>Revenues</b>					
Affiliate	\$ 50.2	\$ 51.1	\$ 19.0	\$ -	\$ 120.3
<b>Total revenues</b>	<b>50.2</b>	<b>51.1</b>	<b>19.0</b>	<b>-</b>	<b>120.3</b>
<b>Costs and expenses</b>					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	16.7	13.5	14.7	-	44.9
Depreciation expense	10.2	11.0	3.5	-	24.7
General and administrative expenses	1.6	0.3	0.4	-	2.3
<b>Total costs and expenses</b>	<b>28.5</b>	<b>24.8</b>	<b>18.6</b>	<b>-</b>	<b>71.9</b>
<b>Net Income (loss)</b>	<b>\$ 21.7</b>	<b>\$ 26.3</b>	<b>\$ 0.4</b>	<b>\$ -</b>	<b>\$ 48.4</b>

<b>Throughput volumes</b>					
Gas gathering (MMcf/d) <sup>(1)</sup>	208				208
Crude oil gathering (MBbl/d) <sup>(2)</sup>	58				58
TGP processing (MMcf/d) <sup>(1)</sup>		196			196
Crude terminals (MBbl/d) <sup>(2)</sup>			51		51
NGL loading (MBbl/d) <sup>(2)</sup>			13		13

(1) Million cubic feet per day

(2) Thousand barrels per day

**Gathering**

Revenue increased \$21.9 million in the third quarter of 2017 compared to the third quarter of 2016, of which \$12.1 million is attributable to higher shortfall fees related to minimum volume commitments recognized in revenue in the third quarter of 2017, and \$5.0 million is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. In addition, \$4.4 million of the increase is attributable to higher gas gathering and compression volumes, driven by completion of the Hawkeye Gas Facility in 2017, and additional third-party volumes contracted with Hess and delivered to us. The remaining increase of \$0.4 million is attributable to higher crude oil gathering volumes. Operating and maintenance expenses decreased \$0.7 million, of which \$1.5 million is attributable to lower compressors maintenance activity in the third quarter of 2017, \$1.3 million is attributable to lower allocations to us from Hess, offset by \$2.1 million higher property tax and insurance expense for new assets in service. Depreciation expense increased \$3.6 million primarily due to the Hawkeye Gas Facility being brought into service in the first quarter of 2017. General and administrative expenses decreased \$0.8 million primarily due to lower allocations to us from Hess.

**Processing and Storage**

Revenues increased \$7.4 million in the third quarter of 2017 compared to the third quarter of 2016, of which \$4.3 million of the increase is attributable to higher volumes processed through the Tioga Gas Plant primarily due to additional third-party volumes contracted with Hess and delivered to us and \$3.1 million of the increase is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. Operating and maintenance expenses increased \$1.8 million primarily attributable to higher maintenance activity at the Tioga Gas Plant in the third quarter of 2017. Depreciation expense and general and administrative expenses remained relatively flat compared to the same quarter last year.

***Terminaling and Export***

Revenues decreased \$2.9 million in the third quarter of 2017 compared to the third quarter of 2016, of which \$5.7 million of the decrease is attributable to lower tariff rates in 2017 compared to 2016 and \$3.3 million of the decrease is attributable to reduced use of rail transportation and, as a result, lower rail transportation pass-through revenue. Effective January 1, 2017, we amended our terminal and export services agreement with Hess, which resulted in a single fee for crude oil terminaling and export services. This amendment reduced our exposure to market variability in the cost of crude oil export transportation services, including rail and pipeline. Prior to this amendment, our terminal and export services agreement included separate fees for crude oil terminaling, crude oil rail loading and crude oil rail transportation. These decreases were offset by \$4.1 million higher crude oil throughput volumes at our terminals, driven by completion of the Johnson's Corner Header System project and increased third-party volumes contracted with Hess and delivered to us, \$1.3 million higher shortfall fees related to minimum volume commitments recognized in revenue in the third quarter of 2017, and \$0.7 million higher NGL loading revenue. Operating and maintenance expenses decreased \$6.4 million, of which \$3.3 million is attributable to lower rail transportation costs due to lower rail export volumes, \$2.6 million of the decrease is attributable to cancellation of the lease agreement for the older specification rail cars at the end of 2016, and \$0.5 million is primarily attributable to lower rail car repair and crude loading costs. Depreciation expense and general and administrative expenses remained relatively flat compared to the same quarter last year.

***Interest and Other***

During the third quarter of 2017, we incurred \$0.4 million of incremental general and administrative expenses as a result of being a separate publicly traded partnership that are not reflected in our Predecessor's historical consolidated financial statements. Additionally, during the third quarter of 2017, we incurred \$0.4 million of fees related to our revolving credit facility.

**PART I – FINANCIAL INFORMATION (CONT'D)**

*Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016*

Results of operations for the nine months ended September 30, 2017 and 2016 are presented below. Unless otherwise noted herein, all results included in this report reflect the results of our Predecessor for accounting purposes, for periods prior to the closing of our IPO on April 10, 2017, as well as the results of the Partnership, for the period subsequent to the closing of the IPO (in millions, unless otherwise noted).

For the Nine Months Ended September 30, 2017	<u>Gathering</u>	<u>Processing and Storage</u>	<u>Terminaling and Export</u>	<u>Interest and Other</u>	<u>Consolidated Hess Midstream Partners LP</u>
Revenues					
Affiliate	\$ 198.8	\$ 167.4	\$ 49.1	\$ -	\$ 415.3
Total revenues	<u>198.8</u>	<u>167.4</u>	<u>49.1</u>	<u>-</u>	<u>415.3</u>
Costs and expenses					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	46.0	42.8	28.5	-	117.3
Depreciation expense	39.9	32.7	11.2	-	83.8
General and administrative expenses	2.5	1.0	0.7	1.4	5.6
Total costs and expenses	<u>88.4</u>	<u>76.5</u>	<u>40.4</u>	<u>1.4</u>	<u>206.7</u>
Income (loss) from operations	110.4	90.9	8.7	(1.4)	208.6
Interest expense	-	-	-	0.9	0.9
Net income (loss)	\$ 110.4	\$ 90.9	\$ 8.7	\$ (2.3)	\$ 207.7
Less: net income (loss) prior to the IPO on April 10, 2017	34.2	31.7	2.3	-	68.2
Less: net income (loss) attributable to noncontrolling interest subsequent to the IPO on April 10, 2017	61.0	47.1	5.0	-	113.1
Net income (loss) attributable to Hess Midstream Partners subsequent to the IPO on April 10, 2017	<u>\$ 15.2</u>	<u>\$ 12.1</u>	<u>\$ 1.4</u>	<u>\$ (2.3)</u>	<u>\$ 26.4</u>
Throughput volumes					
Gas gathering (MMcf/d) <sup>(1)</sup>	208				208
Crude oil gathering (MBbl/d) <sup>(2)</sup>	63				63
TGP processing (MMcf/d) <sup>(1)</sup>		193			193
Crude terminals (MBbl/d) <sup>(2)</sup>			63		63
NGL loading (MBbl/d) <sup>(2)</sup>			12		12

(1) Million cubic feet per day

(2) Thousand barrels per day



**PART I – FINANCIAL INFORMATION (CONT'D)**

For the Nine Months Ended September 30, 2016	Gathering	Processing and Storage	Terminals and Export	Interest and Other	Consolidated Hess Midstream Partners LP Predecessor
<b>Revenues</b>					
Affiliate	\$ 147.6	\$ 148.0	\$ 62.6	\$ -	\$ 358.2
Total revenues	<u>147.6</u>	<u>148.0</u>	<u>62.6</u>	<u>-</u>	<u>358.2</u>
<b>Costs and expenses</b>					
Operating and maintenance expenses (exclusive of depreciation shown separately below)	48.2	43.4	50.2	-	141.8
Depreciation expense	29.3	33.1	9.7	-	72.1
General and administrative expenses	5.4	1.2	1.0	-	7.6
Total costs and expenses	<u>82.9</u>	<u>77.7</u>	<u>60.9</u>	<u>-</u>	<u>221.5</u>
Income (loss) from operations	64.7	70.3	1.7	-	136.7
Interest expense	-	-	-	1.4	1.4
Net income (loss)	<u>\$ 64.7</u>	<u>\$ 70.3</u>	<u>\$ 1.7</u>	<u>\$ (1.4)</u>	<u>\$ 135.3</u>

**Throughput volumes**

Gas gathering (MMcf/d) <sup>(1)</sup>	204				204
Crude oil gathering (MBbl/d) <sup>(2)</sup>	58				58
TGP processing (MMcf/d) <sup>(1)</sup>		191			191
Crude terminals (MBbl/d) <sup>(2)</sup>			59		59
NGL loading (MBbl/d) <sup>(2)</sup>			13		13

(1) Million cubic feet per day

(2) Thousand barrels per day

**Gathering**

Revenue increased \$51.2 million in the first nine months of 2017 compared to the same period in 2016, of which \$32.9 million is attributable to higher shortfall fees related to minimum volume commitments recognized in revenue in the first nine months of 2017 and \$14.0 million is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. In addition, \$2.4 million of the increase is attributable to higher gas gathering and compression volumes, driven by the completion of the Hawkeye Gas Facility in 2017 and additional third-party volumes contracted with Hess and delivered to us, partially offset by lower volumes in the first quarter of 2017 impacted by extreme winter weather conditions in North Dakota. The remaining increase in revenue of \$1.9 million is attributable to higher crude oil gathering volumes through more well connects. Operating and maintenance expenses decreased \$2.2 million primarily attributable to lower allocations to us from Hess of \$5.3 million, partially offset by \$2.6 million attributable to higher property tax and insurance expense for new assets in service and \$0.5 million attributable to higher maintenance activity. Depreciation expense increased \$10.6 million primarily due to the Hawkeye Gas Facility being brought into service in the first quarter of 2017. General and administrative expenses decreased \$2.9 million primarily due to lower allocations to us from Hess.

**Processing and Storage**

Revenues increased \$19.4 million in the first nine months of 2017 compared to the same period in 2016, of which \$9.7 million is attributable to higher shortfall fees related to minimum volume commitments recognized in revenue in the first nine months of 2017 and \$8.5 million is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. The remaining increase of \$1.2 million is attributable to higher volumes processed through the Tioga Gas Plant, driven by completion of the Hawkeye Gas Facility in 2017 and additional third-party volumes contracted with Hess and delivered to us, partially offset by lower volumes in the first quarter of 2017 impacted by extreme winter weather conditions in North Dakota. Operating and maintenance expenses, depreciation expense and general and administrative expenses modestly decreased compared to the same period last year.

***Terminaling and Export***

Revenues decreased \$13.5 million in the first nine months of 2017 compared to the same period in 2016, of which \$13.1 million of the decrease is attributable to lower tariff rates in 2017 compared to 2016 and \$10.5 million attributable to reduced use of rail transportation and, as a result, lower rail transportation pass-through revenues. These decreases were offset by \$5.6 million shortfall fees related to minimum volume commitments recognized in revenue in the first nine months of 2017 and \$4.5 million attributable to higher throughput volumes at our terminals, driven by completion of the Johnson's Corner Header System project and increased third-party volumes contracted with Hess and delivered to us. Operating and maintenance expenses decreased \$21.7 million, of which \$10.5 million of the decrease is attributable to lower rail transportation costs due to lower rail export volumes, \$7.6 million of the decrease is attributable to cancellation of the lease agreement for the older specification rail cars at the end of 2016, \$2.6 million primarily attributable to lower rail car repair and crude loading costs, and \$1.0 million attributable to lower allocations to us from Hess. Depreciation expense increased \$1.5 million primarily due to additional rail cars brought into service during the second quarter of 2016. General and administrative expenses remained relatively flat compared to the same period last year.

***Interest and Other***

Following the closing of the IPO, we incurred \$1.4 million of incremental general and administrative expenses as a result of being a separate publicly traded partnership that are not reflected in our Predecessor's historical consolidated financial statements. Interest expense decreased \$0.5 million primarily due to write off of unamortized debt issuance costs in 2016 related to an expired revolving credit commitment.

**PART I – FINANCIAL INFORMATION (CONT'D)**

**Reconciliation of Non-GAAP Financial Measures**

The following table presents a reconciliation of Adjusted EBITDA to net income (loss) and net cash provided by (used in) operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	Predecessor		Predecessor	
(in millions)				
Reconciliation of Adjusted EBITDA attributable to Hess Midstream Partners LP and Distributable Cash Flow attributable to Hess Midstream Partners LP to net income (loss):				
Net income (loss)	\$ 76.5	\$ 48.4	\$ 207.7	\$ 135.3
Plus:				
Depreciation expense	28.5	24.7	83.8	72.1
Interest expense	0.4	-	0.9	1.4
Adjusted EBITDA	105.4	\$ 73.1	292.4	\$ 208.8
Less:				
Adjusted EBITDA prior to the IPO on April 10, 2017	-		97.8	
Adjusted EBITDA attributable to noncontrolling interest subsequent to the IPO on April 10, 2017 (a)	84.3		156.5	
Adjusted EBITDA attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	\$ 21.1		\$ 38.1	
Less:				
Cash interest paid, net	0.2		0.4	
Maintenance capital expenditures(b)	-		-	
Distributable cash flow attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	\$ 20.9		\$ 37.7	
Reconciliation of Adjusted EBITDA attributable to Hess Midstream Partners LP and Distributable Cash Flow attributable to Hess Midstream Partners LP to net cash provided by (used in) operating activities:				
Net cash provided by (used in) operating activities	\$ 101.2		\$ 279.0	
Changes in assets and liabilities	4.1		13.1	
Amortization of deferred financing costs	(0.2)		(0.4)	
Unit-based compensation	(0.1)		(0.2)	
Interest expense	0.4		0.9	
Adjusted EBITDA	105.4		292.4	
Less:				
Adjusted EBITDA prior to the IPO on April 10, 2017	-		97.8	
Adjusted EBITDA attributable to noncontrolling interest subsequent to the IPO on April 10, 2017 (a)	\$ 84.3		\$ 156.5	
Adjusted EBITDA attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017	\$ 21.1		\$ 38.1	
Less:				
Cash interest paid, net	0.2		0.4	
Maintenance capital expenditures(b)	-		-	
Distributable cash flow subsequent to the IPO on April 10, 2017	\$ 20.9		\$ 37.7	

(a) Reflects Hess Infrastructure Partners' 80% noncontrolling economic interest in the net income of Hess North Dakota Pipelines Operations LP, Hess TGP Operations LP and Hess North Dakota Export Logistics LP.

(b) Under our contribution agreement, Hess Infrastructure Partners agreed to bear the full costs we incurred for maintenance capital expenditures during the periods presented.

**Capital Resources and Liquidity**

Historically, our sources of liquidity were based on cash flows from operations and funding from our parent. The Predecessor participated in Hess Infrastructure Partners' centralized cash management system. As a result, our Predecessor's historical financial statements do not include cash or cash equivalents since cash receipts from all of our Predecessor's operations were deposited into Hess Infrastructure Partners' bank accounts and all cash disbursements were made from these accounts. After the IPO closed on April 10, 2017, we established our own cash management system that is administered by Hess on our general partner's behalf under our omnibus agreement.

We expect our ongoing sources of liquidity to include:

- cash generated from operations;
- borrowings under our revolving credit facility;
- issuances of debt securities; and
- issuances of additional equity securities.

We believe that cash generated from these sources will be sufficient to meet our operating requirements, our planned short-term capital expenditures and debt service requirements and our quarterly cash distribution requirements. We believe that future internal growth projects or potential acquisitions will be funded primarily through borrowings under our revolving credit facility or through the issuance of debt and equity securities.

On October 24, 2017, we declared a quarterly cash distribution of \$0.3107 per common and subordinated unit, to be paid on November 13, 2017 to unitholders of record on November 3, 2017.

***Revolving Credit Facility***

On March 15, 2017, we entered into a four-year, \$300.0 million senior secured revolving credit facility that became available to us upon the closing of the IPO on April 10, 2017. We have the option to extend the revolving credit facility for two additional one-year terms and to increase the overall capacity of the revolving credit facility by up to an additional \$100.0 million subject to, among other things, the consent of the lenders. The credit facility can be used for borrowings and letters of credit to fund operating activities and capital expenditures of the Partnership. As of September 30, 2017, the credit facility remained undrawn.

Borrowings on the credit facility generally bear interest at the London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on the Partnership's leverage ratio, which is calculated as total debt to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (as defined in the credit facility). Facility fees accrue at 0.275% per annum and are paid quarterly. If the Partnership obtains credit ratings, pricing levels will be based on our credit ratings in effect from time to time. The Partnership is subject to customary covenants in the credit agreement, including a financial covenant that generally requires a leverage ratio of no more than 4.5 to 1.0 for the prior four fiscal quarters (5.0 to 1.0 during the specified period following certain acquisitions).

The credit facility is secured by first priority perfected liens on substantially all directly owned assets of the Partnership and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions.

***Cash Flows***

*Operating Activities.* Cash flows provided by operating activities increased \$2.2 million for the first nine months of 2017 compared to the first nine months of 2016 due to an increase in revenues of \$57.1 million and a decrease in expenses, other than depreciation, amortization and unit-based compensation, of \$26.5 million, offset by cash used from changes in working capital of \$81.4 million.

*Investing Activities.* Cash flows used in investing activities decreased \$86.1 million for the first nine months of 2017 compared to the first nine months of 2016, due to a decrease in capital expenditures primarily related to projects in our gathering business.

*Financing Activities.* Cash flows used in financing activities increased \$40.6 million for the first nine months of 2017 compared to the first nine months of 2016 primarily related to higher distributions to unitholders and to Hess Infrastructure Partners of \$50.6 million, offset by \$10.0 million proceeds retained by the Partnership from the sale of common units.

**Capital Expenditures**

Our operations can be capital intensive, requiring investments to expand, upgrade, maintain or enhance existing operations and to meet environmental and operational regulations. Our capital requirements consist of maintenance capital expenditures and expansion capital expenditures. Following the closing of the IPO, we are required to distinguish between maintenance capital expenditures and expansion capital expenditures in accordance with our partnership agreement, even though historically we did not make a distinction between maintenance capital expenditures and expansion capital expenditures in exactly the same way as is required under our partnership agreement. Maintenance capital expenditures are capital expenditures (including expenditures for the construction or development of new capital assets or the replacement, improvement or expansion of existing capital assets) made to maintain, over the long term, our operating capacity, operating income or revenue. Examples of maintenance capital expenditures are expenditures to repair, refurbish or replace existing assets, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations. In contrast, expansion capital expenditures are expenditures incurred for acquisitions or capital improvements that we expect will increase our operating capacity, operating income or revenue over the long term. Examples of expansion capital expenditures include the acquisition of equipment, construction, development or acquisition of additional capacity, or expenditures for connecting additional wells to our gathering systems; to the extent such capital expenditures are expected to expand our long-term operating capacity, operating income or revenue.

Capital expenditures for the first nine months of 2017 and 2016 were \$69.8 million and \$185.3 million, respectively. The decrease in capital expenditures is primarily attributable to completion of the Hawkeye Gas and Oil Facility projects in early 2017, partially offset by capital expenditures related to well tie-ins, additional compression at Tioga Gas Plant, expansion of rail car ladder tracks to accommodate increased NGL loading at the Tioga Rail Terminal and continued work on the Johnson's Corner Header System.

The following table reconciles capital expenditures on an accrual basis to additions to property, plant and equipment on a cash basis:

	Nine Months Ended	
	September 30,	
	2017	2016
(in millions)		<i>Predecessor</i>
Maintenance	\$ 11.0	\$ 3.6
Expansion	<u>58.8</u>	<u>181.7</u>
Total capital expenditures	69.8	185.3
(Increase) decrease in accrued liabilities	<u>28.3</u>	<u>(1.1)</u>
Additions to property, plant and equipment	<u>\$ 98.1</u>	<u>\$ 184.2</u>

**Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices. We generally do not take ownership of the crude oil, natural gas or NGLs that we currently gather, process, terminal, store or transport for our customers. We generate substantially all of our revenues by charging fees under long-term commercial agreements with Hess with minimum volume commitments. Hess bears the risks associated with fluctuating commodity prices and we have minimal direct exposure to commodity prices.

Any debt that we incur under our revolving credit facility will bear interest at a variable rate, which will expose us to interest rate risk. Unless interest rates increase significantly in the future, our exposure to interest rate risk should be minimal. We do not currently have in place any derivative instruments to hedge any exposure to variable interest rates.

**Forward-looking Information**

Certain sections in this Quarterly Report on Form 10-Q, including information incorporated by reference herein, contain “forward-looking” statements, as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words “anticipate,” “estimate,” “expect,” “forecast,” “guidance,” “could,” “may,” “should,” “believe,” “intend,” “project,” “plan,” “predict,” “will,” “target” and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements related to our operations and financial conditions are based on our current understanding, assessments, estimates and projections. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Risk factors that could materially impact future actual results are discussed in the section entitled “Risk Factors” included in the Prospectus.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The information required by this item is presented under Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk.”

**Item 4. Controls and Procedures**

Based upon their evaluation of the Partnership’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2017, John B. Hess, Chief Executive Officer, and Jonathan C. Stein, Chief Financial Officer, concluded that these disclosure controls and procedures were effective as of September 30, 2017.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act, adopted rules that generally require every company that files reports with the SEC to include a management report on such company’s internal control over financial reporting in its annual report. In addition, our independent registered public accounting firm must attest to our internal control over financial reporting. Our first Annual Report on Form 10-K will not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by SEC rules applicable to new public companies. Management will be required to provide an assessment of effectiveness of our internal control over financial reporting as of December 31, 2018. We are not required to comply with the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act while we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012.

There was no change in internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), in the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**Item 1. Legal Proceedings**

Information regarding legal proceedings is contained in Note 12, Commitments and Contingencies in the Notes to Consolidated Financial Statements and is incorporated herein by reference.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in the section entitled “Risk Factors” in the prospectus related to the IPO and dated April 4, 2017, as filed with the U.S. Securities and Exchange Commission on April 6, 2017.

**Item 6. Exhibits**

a. Exhibits

- 31(1) [Certification required by Rule 13a-14\(a\) \(17 CFR 240.13a-14\(a\)\) or Rule 15d-14\(a\) \(17 CFR 240.15d-14\(a\)\)](#)
- 31(2) [Certification required by Rule 13a-14\(a\) \(17 CFR 240.13a-14\(a\)\) or Rule 15d-14\(a\) \(17 CFR 240.15d-14\(a\)\)](#)
- 32(1) [Certification required by Rule 13a-14\(b\) \(17 CFR 240.13a-14\(b\)\) or Rule 15d-14\(b\) \(17 CFR 240.15d-14\(b\)\) and Section 1350 of Chapter 63 of Title 18 of the United States Code \(18 U.S.C. 1350\)](#)
- 32(2) [Certification required by Rule 13a-14\(b\) \(17 CFR 240.13a-14\(b\)\) or Rule 15d-14\(b\) \(17 CFR 240.15d-14\(b\)\) and Section 1350 of Chapter 63 of Title 18 of the United States Code \(18 U.S.C. 1350\)](#)
- 101(INS) XBRL Instance Document
- 101(SCH) XBRL Schema Document
- 101(CAL) XBRL Calculation Linkbase Document
- 101(LAB) XBRL Labels Linkbase Document
- 101(PRE) XBRL Presentation Linkbase Document
- 101(DEF) XBRL Definition Linkbase Document



**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 thereunto duly authorized.

HESS MIDSTREAM PARTNERS LP (Registrant)

By: HESS MIDSTREAM PARTNERS GP LP, its General Partner

By: HESS MIDSTREAM PARTNERS GP LLC, its General Partner

By /s/ John B. Hess

**John B. Hess**

*Chairman of the Board of Directors and Chief Executive Officer*

By /s/ Jonathan C. Stein

**Jonathan C. Stein**

*Chief Financial Officer*

Date: November 9, 2017

**CERTIFICATE PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, John B. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Midstream Partners LP;
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(s) 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)) 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) 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
  - (c) 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(s) 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.

By /s/ John B. Hess

John B. Hess

Chairman of the Board of Directors and  
Chief Executive Officer

HESS MIDSTREAM PARTNERS GP LP, its General  
Partner

HESS MIDSTREAM PARTNERS GP LLC, its General  
Partner

Date: November 9, 2017

**CERTIFICATE PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan C. Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hess Midstream Partners LP;
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(s) 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)) 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) 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
  - (c) 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(s) 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.

By /s/ Jonathan C. Stein  
Jonathan C. Stein  
Chief Financial Officer  
HESS MIDSTREAM PARTNERS GP LP, its General  
Partner  
HESS MIDSTREAM PARTNERS GP LLC, its General  
Partner

Date: November 9, 2017

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Midstream Partners LP (the "Partnership") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John B. Hess, Chairman of the Board of Directors and Chief Executive Officer of Hess Midstream Partners GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

By /s/ John B. Hess  
John B. Hess  
Chairman of the Board of Directors and Chief  
Executive Officer  
HESS MIDSTREAM PARTNERS GP LP, its General  
Partner  
HESS MIDSTREAM PARTNERS GP LLC, its General  
Partner

Date: November 9, 2017

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hess Midstream Partners LP (the "Partnership") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan C. Stein, Chief Financial Officer of Hess Midstream Partners GP LLC, the general partner of the Partnership, 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:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

By /s/ Jonathan C. Stein  
Jonathan C. Stein  
Chief Financial Officer  
HESS MIDSTREAM PARTNERS GP LP, its General  
Partner  
HESS MIDSTREAM PARTNERS GP LLC, its General  
Partner

Date: November 9, 2017

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained and furnished to the Securities and Exchange Commission or its staff upon request.