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

# Form 8-K

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

**Date of Report (Date of Earliest Event Reported): December 17, 2019**

# Hess Midstream LP

*(Exact Name of Registrant as Specified in Its Charter)*

| **DELAWARE** | **No. 001-39163** | **No. 84-3211812** |
|---|---|---|
| *(State or Other Jurisdiction of Incorporation)* | *(Commission File Number)* | *(IRS Employer Identification Number.)* |

**1501 McKinney Street**
**Houston, Texas 77010**
*(Address of Principal Executive Offices) (Zip Code)*

**Registrant's Telephone Number, Including Area Code: (713) 496-4200**

**N/A**
*(Former Name or Former Address, if Changed Since Last Report)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| *Title of each class* | *Trading Symbol(s)* | *Name of each exchange on which registered* |
|---|---|---|
| Class A shares representing limited partner interests | HESM | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

Pursuant to the Partnership Restructuring Agreement dated October 3, 2019, on December 16, 2019, Hess Midstream Operations LP (the "Partnership" or "HESM"), a subsidiary of Hess Midstream LP ("Hess Midstream"), completed its previously announced acquisition of all of the partnership interests of Hess Infrastructure Partners LP ("HIP") from Hess Corporation ("Hess") and GIP II Blue Holding Partnership LP ("GIP"), including HIP's 80% economic interest in each of (i) Hess North Dakota Pipelines Operations LP, (ii) Hess TGP Operations LP and (iii) Hess North Dakota Export Logistics Operations LP (collectively, the "Joint Interest Assets"); a 100% economic interest in HIP's produced water gathering and disposal business, and all of the issued and outstanding incentive distribution rights of HESM.

As consideration for the acquisition of Hess and GIP's ownership interests in HIP, HESM assumed approximately $1.15 billion of HIP's existing debt, issued to Hess and GIP an aggregate of approximately 230 million limited partner units in HESM and paid aggregate cash consideration of approximately $550 million to Hess and GIP. As a result of the transaction, HESM now owns 100% of the underlying assets that are consolidated under Hess Midstream.

**Item 8.01. Other Events.**

Pursuant to the Partnership Restructuring Agreement dated October 3, 2019 and with a closing date of December 16, 2019, the Partnership acquired HIP's 80% economic interest in the Joint Interest Assets, a 100% economic interest in HIP's water gathering and disposal business, and all of the issued and outstanding incentive distribution rights of HESM. The transaction was accounted for as an acquisition of a business under common control. In accordance with U.S. generally accepted accounting principles, net assets transferred between entities under common control are accounted for at historical cost, similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are retrospectively adjusted on a consolidated basis. Accordingly, the historical results of HIP will be reflected in Hess Midstream's consolidated financial statements on a retrospectively adjusted consolidated basis effective in the fourth quarter of 2019.

Although the results of HIP will not be reflected in Hess Midstream's consolidated financial statements until the fourth quarter of 2019, Hess Midstream is optionally providing this Current Report on Form 8-K to provide the historical financial statements of Hess Midstream on a consolidated combined basis incorporating the results of HIP for all periods presented. Specifically, this Current Report on Form 8-K provides the (i) supplemental consolidated combined financial statements and related notes of Hess Midstream and (ii) Management's Discussion and Analysis of Financial Condition and Results of Operations, in the case of the annual consolidated combined financial statements of Hess Midstream, as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016; and, in the case of the interim consolidated combined financial statements of Hess Midstream, as of September 30, 2019 and December 31, 2018 and for the three and nine months ended September 30, 2019 and 2018. In addition, we are providing selected financial data as of and for the years ended December 31, 2018, 2017, 2016 and 2015.

**Item 9.01. Financial Statements and Exhibits.**

(i) Supplemental consolidated combined financial statements

- Audited supplemental consolidated combined financial statements of Hess Midstream LP as of and for the years ended December 31, 2018, 2017 and 2016, together with the related notes to the financial statements and management's discussion and analysis of financial condition and results of operations, a copy of which is filed as Exhibit 99.1 hereto incorporated by reference herein.

- Unaudited supplemental consolidated combined financial statements of Hess Midstream LP as of and for the three and nine months ended September 30, 2019 and 2018, together with the related notes to the financial statements and management's discussion and analysis of financial condition and results of operations, a copy of which is filed as Exhibit 99.2 hereto incorporated by reference herein.

- Unaudited selected financial data, a copy of which is filed as Exhibit 99.3 hereto incorporated by reference herein.

(ii) Pro forma financial information

- Unaudited pro forma consolidated financial statements of Hess Midstream LP as of and for the nine months ended September 30, 2019 and for the years ended December 31, 2018, 2017 and 2016, a copy of which is filed as Exhibit 99.4 hereto and incorporated herein by reference.

(iii) Financial statements of business acquired

- Audited historical financial statements of Hess Infrastructure Partners LP as of and for the years ended December 31, 2018, 2017 and 2016, together with the related notes to the financial statements, a copy of which is filed as Exhibit 99.5 hereto incorporated by reference herein.

- Unaudited historical financial statements of Hess Infrastructure Partners LP as of and for the three and nine months ended September 30, 2019 and 2018, together with the related notes to the financial statements, a copy of which is filed as Exhibit 99.6 hereto incorporated by reference herein.

(9) Exhibits.

| **Number** | **Description** |
|---|---|
| 99.1 | Audited supplemental consolidated combined financial statements of Hess Midstream LP as of and for the years ended December 31, 2018, 2017 and 2016, together with the related notes to the financial statements. |
| 99.2 | Unaudited supplemental consolidated combined financial statements of Hess Midstream LP as of and for the nine months ended September 30, 2019 and 2018, together with the related notes to the financial statements. |
| 99.3 | Unaudited selected financial data. |
| 99.4 | Unaudited pro forma consolidated financial statements of Hess Midstream LP as of and for the nine months ended September 30, 2019 and for the years ended December 31, 2018, 2017 and 2016. |
| 99.5 | Audited historical financial statements of Hess Infrastructure Partners LP as of and for the years ended December 31, 2018, 2017 and 2016, together with the related notes to the financial statements. |
| 99.6 | Unaudited historical financial statements of Hess Infrastructure Partners LP as of and for the nine months ended September 30, 2019 and 2018, together with the related notes to the financial statements. |

## SIGNATURE

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

Date: December 17, 2019

HESS MIDSTREAM LP (Registrant)

By: HESS MIDSTREAM GP LP, its General Partner

By: HESS MIDSTREAM GP LLC, its General Partner

By /s/ Jonathan C. Stein

**Jonathan C. Stein**

*Chief Financial Officer*

Exhibit 99.1

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2018, 2017 and 2016**

## TABLE OF CONTENTS

**Pa Nu**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

**To the Board of Directors of Hess Midstream GP LLC and**
**Shareholders of Hess Midstream LP**

### Opinion on the Financial Statements

We have audited the accompanying supplemental consolidated combined balance sheets of Hess Midstream LP (the "Partnership") as of December 31, 2018 and 2017, the related supplemental consolidated combined statements of operations, comprehensive income, changes in partners' capital, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated combined financial position of the Partnership at December 31, 2018 and 2017, and the consolidated combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2014.

Houston, Texas
December 17, 2019

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED BALANCE SHEETS**

| (in millions, except unit amounts) | December 31, 2018 (1) | December 31, 2017 (1) |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 109.3 | $ 355.7 |
| Accounts receivable—affiliate: | | |
| From contracts with customers | 67.3 | 61.4 |
| Other receivables | 0.5 | 0.1 |
| Other current assets | 3.3 | 6.0 |
| Total current assets | 180.4 | 423.2 |
| Equity Investments | 67.3 | - |
| Property, plant and equipment, net | 2,735.3 | 2,588.6 |
| Long-term receivable—affiliate | 1.3 | 1.5 |
| Other noncurrent assets | 6.9 | 9.1 |
| Total assets | $ 2,991.2 | $ 3,022.4 |
| Liabilities | | |
| Accounts payable—trade | $ 18.6 | $ 14.6 |
| Accounts payable—affiliate | 15.8 | 22.2 |
| Accrued liabilities | 85.6 | 40.3 |
| Current maturities of long-term debt | 11.3 | 2.5 |
| Other current liabilities | 6.8 | 7.0 |
| Total current liabilities | 138.1 | 86.6 |
| Long-term debt | 969.8 | 977.9 |
| Other noncurrent liabilities | 7.2 | 5.6 |
| Total liabilities | 1,115.1 | 1,070.1 |
| Partners' Capital | | |
| Common unitholders—public (2018- 17,014,377 units issued and outstanding, 2017- 16,997,000) | 357.1 | 357.7 |
| Common unitholders—affiliate (2018- 10,282,654 units issued and outstanding, 2017- 10,282,654) | 39.5 | 40.5 |
| Subordinated unitholders—affiliate (2018- 27,279,654 units issued and outstanding, 2017- 27,279,654) | 105.3 | 107.8 |
| General partner | 14.9 | 14.8 |
| Total Hess Midstream Partners LP partners' capital | 516.8 | 520.8 |
| Noncontrolling interest | 2,194.1 | 2,034.5 |
| Accumulated other comprehensive income | 1.2 | 1.6 |
| Net parent investment | (836.0) | (604.6) |
| Total partners' capital | 1,876.1 | 1,952.3 |
| Total liabilities and partners' capital | $ 2,991.2 | $ 3,022.4 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

## HESS MIDSTREAM LP
## SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF OPERATIONS

| (in millions, except per unit amounts) | Year Ended December 31, 2018 (1) | 2017 (1) | 2016 (1) |
|---|---|---|---|
| Revenues and other income | | | |
| Affiliate services | $ 712.0 | $ 579.5 | $ 510.0 |
| Other income | 0.7 | - | - |
| Total revenues and other income | 712.7 | 579.5 | 510.0 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 193.5 | 186.0 | 219.8 |
| Depreciation expense | 126.9 | 116.5 | 105.8 |
| Impairment loss | - | - | 66.7 |
| General and administrative expenses | 14.1 | 13.9 | 17.4 |
| Total costs and expenses | 334.5 | 316.4 | 409.7 |
| Income from operations | 378.2 | 263.1 | 100.3 |
| Interest expense, net | 53.3 | 25.8 | 18.7 |
| Gain on sale of property, plant and equipment | 0.6 | 4.7 | - |
| Net income | 325.5 | 242.0 | $ 81.6 |
| Less: Net income (loss) attributable to net parent investment | (46.8) | 25.4 | |
| Less: Net income attributable to noncontrolling interest | 301.5 | 175.4 | |
| Net income attributable to Hess Midstream Partners LP | 70.8 | 41.2 | |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.7 | 0.8 | |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 69.1 | $ 40.4 | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 1.27 | $ 0.75 | |
| Subordinated | $ 1.27 | $ 0.75 | |
| Weighted average limited partner units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | 26.9 | |
| Subordinated | 27.3 | 26.9 | |
| Diluted: | | | |
| Common | 27.4 | 26.9 | |
| Subordinated | 27.3 | 26.9 | |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

| (in millions) | Year Ended December 31, 2018 (1) | 2017 (1) | 2016 (1) |
|---|---|---|---|
| Net income | $ 325.5 | $ 242.0 | $ 81.6 |
| Other comprehensive income | | | |
| Changes in fair value of cash flow hedges | - | 3.3 | - |
| Effect of hedge (gains) losses reclassified to income | (0.4) | (1.7) | - |
| Total other comprehensive income | (0.4) | 1.6 | - |
| Comprehensive income | 325.1 | 243.6 | $ 81.6 |
| Less: Comprehensive income (loss) attributable to net parent investment | (47.2) | 27.0 | |
| Less: Comprehensive income attributable to noncontrolling interest | 301.5 | 175.4 | |
| Comprehensive income attributable to Hess Midstream Partners LP | $ 70.8 | $ 41.2 | |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

# HESS MIDSTREAM LP
## SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

| | Partners' Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Limited Partners | | | | | Accumulated | | |
| (in millions) | Common Unitholders Public | Common Unitholders Affiliate | Subordinated Unitholders Affiliate | General Partner | Noncontrolling Interest | Other Comprehensive Income | Net Parent Investment[1] | Total [1] |
| Balance, December 31, 2015 | $ - | $ - | $ - | $ - | $ - | $ - | 1,636.3 | $ 1,636.3 |
| Net income | - | - | - | - | - | - | 81.6 | 81.6 |
| Contributions from partners | - | - | - | - | - | - | 100.7 | 100.7 |
| Distributions to partners | - | - | - | - | - | - | (49.0) | (49.0) |
| Other contributions (distributions) | - | - | - | - | - | - | 40.3 | 40.3 |
| Balance, December 31, 2016 | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,809.9 | $ 1,809.9 |
| 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 |
| Distributions of IPO proceeds | - | (95.7) | (253.8) | - | - | - | - | (349.5) |
| Offering costs | (10.7) | - | - | - | - | - | - | (10.7) |
| Net income | 12.6 | 7.6 | 20.2 | 0.8 | 175.4 | - | 25.4 | 242.0 |
| Other comprehensive income (loss) | - | - | - | - | - | 1.6 | - | 1.6 |
| Unit-based compensation | 0.2 | - | - | - | - | - | - | 0.2 |
| Distributions to unitholders | (9.9) | (6.0) | (15.8) | - | - | - | - | (31.7) |
| Distributions to general partner | | | | (0.6) | | | 0.6 | - |
| Distributions to noncontrolling interest | - | - | - | - | (244.6) | - | 244.6 | - |
| Contributions from noncontrolling interest | - | - | - | - | 78.5 | - | (78.5) | - |
| Other contributions (distributions) | - | - | - | - | - | - | (75.0) | (75.0) |
| Balance, December 31, 2017 | $ 357.7 | $ 40.5 | $ 107.8 | $ 14.8 | $ 2,034.5 | $ 1.6 | $ (604.6) | $ 1,952.3 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

## HESS MIDSTREAM LP
## SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

| | Partners' Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Limited Partners | | | | | Accumulated | | |
| (in millions) | Common Unitholders Public | Common Unitholders Affiliate | Subordinated Unitholders Affiliate | General Partner | Noncontrolling Interest | Accumulated Other Comprehensive Income | Net Parent Investment(1) | Total (1) |
| Balance, December 31, 2017 | $ 357.7 | $ 40.5 | $ 107.8 | $ 14.8 | $ 2,034.5 | $ 1.6 | $ (604.6) | $ 1,952.3 |
| Net income | 21.6 | 13.0 | 34.5 | 1.7 | 301.5 | - | (46.8) | 325.5 |
| Other comprehensive income (loss) | - | - | - | - | - | (0.4) | - | (0.4) |
| Unit-based compensation | 0.9 | - | - | - | - | - | - | 0.9 |
| Distributions to general partner | - | - | - | (1.6) | - | - | 1.6 | - |
| Distributions to unitholders | (23.1) | (14.0) | (37.0) | - | - | - | - | (74.1) |
| Distributions to noncontrolling interest | - | - | - | - | (199.2) | - | 199.2 | - |
| Contributions from noncontrolling interest | - | - | - | - | 57.3 | - | (57.3) | - |
| Other contributions (distributions) | - | - | - | - | - | - | (328.1) | (328.1) |
| Balance, December 31, 2018 | $ 357.1 | $ 39.5 | $ 105.3 | $ 14.9 | $ 2,194.1 | $ 1.2 | $ (836.0) | $ 1,876.1 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 (1) | 2017 (1) | 2016 (1) |
| Cash flows from operating activities | | | |
| Net income | $ 325.5 | $ 242.0 | $ 81.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 126.9 | 116.5 | 105.8 |
| Impairment | - | - | 66.7 |
| (Gain) loss on sale of property, plant and equipment | (0.6) | (4.7) | - |
| (Gain) loss on interest rate swaps | (0.4) | (1.7) | - |
| Amortization of deferred financing costs | 5.0 | 3.8 | 3.4 |
| Unit-based compensation | 0.9 | 0.2 | - |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (6.3) | (16.9) | 3.4 |
| Other current and noncurrent assets | 1.9 | 1.2 | 1.7 |
| Accounts payable—trade | 4.0 | (16.7) | (10.5) |
| Accounts payable—affiliate | (6.4) | 7.5 | (3.8) |
| Accrued liabilities | 17.3 | 3.2 | 2.7 |
| Other current and noncurrent liabilities | (0.9) | 2.1 | (3.5) |
| Net cash provided by (used in) operating activities | 466.9 | 336.5 | 247.5 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (67.3) | - | - |
| Proceeds from sale of property, plant and equipment | 1.6 | 12.8 | - |
| Additions to property, plant and equipment | (241.9) | (144.2) | (268.6) |
| Net cash provided by (used in) investing activities | (307.6) | (131.4) | (268.6) |
| Cash flows from financing activities | | | |
| Proceeds from (repayments of) bank borrowings - revolver | - | (153.0) | 43.0 |
| Repayments of bank borrowings - term loan | (2.5) | (385.0) | (15.0) |
| Proceeds from issuance of fixed-rate senior notes | - | 800.0 | - |
| Financing costs | (1.0) | (22.9) | - |
| IPO proceeds, net of underwriters' discounts | - | 365.5 | - |
| Distribution of IPO proceeds to Hess and GIP | - | (349.5) | - |
| Cash offering costs | - | (2.1) | - |
| Distributions to Hess and GIP | (322.0) | (100.0) | (49.0) |
| Distributions to HESM unitholders | (74.1) | (31.7) | - |
| Other contributions (distributions) | (6.1) | 27.6 | 40.5 |
| Net cash provided by (used in) financing activities | (405.7) | 148.9 | 19.5 |
| Net increase (decrease) in cash and cash equivalents | (246.4) | 354.0 | (1.6) |
| Cash and cash equivalents at beginning of period | 355.7 | 1.7 | 3.3 |
| Cash and cash equivalents at end of period | $ 109.3 | $ 355.7 | $ 1.7 |
| Supplemental disclosures of non-cash investing and financing activities: | | | |
| (Increase) decrease in accrued capital expenditures | (29.4) | 25.9 | (4.2) |
| Removal of historical capitalized offering costs | - | 8.6 | - |
| Contribution of property, plant and equipment | - | - | 97.0 |
| Other non-cash contributions from (distributions to) partners | - | - | 3.5 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisitions of Hess Infrastructure Partners LP.

See accompanying notes to supplemental consolidated combined financial statements.

*The financial information presented has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.*

**Note 1. Description of Business**

*Description of Business.* Hess Midstream Partners LP (the "Partnership" or "HESM") is a fee-based, growth oriented traditional master limited partnership formed by Hess Infrastructure Partners LP ("Hess Infrastructure Partners" or "HIP"), 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.

*Initial Public Offering.* 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 option, representing a 30.5% limited partner interest in the Partnership at a price to the public of $23.00 per common unit. Net proceeds totaled approximately $365.5 million, after deducting the underwriters' discounts and structuring fees of $25.4 million.

In connection with the IPO, Hess Infrastructure Partners contributed to the Partnership 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 crude oil pipeline and truck receipt terminal in North Dakota; and a 100% economic interest in Hess Mentor Storage Holdings LLC ("Mentor Holdings"), which owns a propane storage cavern and related rail and truck loading and unloading and storage terminal in Minnesota, (collectively the "Joint Interest Assets").

In connection with the Partnership's IPO and in exchange for the Joint Interest Assets, Hess Infrastructure Partners 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;
- A 2% general partner interest in the Partnership, and
- An aggregate cash distribution of approximately $350.6 million.

Hess Infrastructure Partners subsequently distributed all of the common units, subordinated units and $349.5 million of cash proceeds to Hess and GIP.

*LM4 Joint Venture.* On January 25, 2018, we entered into a 50/50 joint venture with Targa Resources Corp. to construct a new 200 million standard cubic feet per day gas processing plant called Little Missouri 4 ("LM4"). Targa Resources Corp. is managing the construction of LM4 and will operate the plant when completed. See Note 17, Subsequent Events.

*Acquisitions.* On March 1, 2019, Hess Infrastructure Partners acquired Hess's existing Bakken water services business ("Hess Water Services"). The acquisition of Hess Water Services from Hess was accounted for as an acquisition of a business under common control. Accordingly, our supplemental consolidated combined financial statements prior to the acquisition date of March 1, 2019 were retrospectively recast to include the financial results of Hess Water Services. See Note 3, Acquisitions.

On March 22, 2019, we acquired the crude oil, gas and water gathering assets of Summit Midstream Partners' Tioga Gathering System. See Note 17, Subsequent Events.

On December 16, 2019, the Partnership completed a restructuring transaction (the "Restructuring Transaction"), pursuant to which the Partnership acquired all of the partnership interests of Hess Infrastructure Partners from Hess and GIP, including HIP's retained 80% economic interest in the Joint Interest Assets, its produced water gathering and disposal business and all of the HESM incentive distribution rights. The acquisition of Hess Infrastructure Partners resulted in HESM's ownership of 100% of the Joint Interest Assets and 100% of Hess Water Services and was accounted for as an acquisition of a business under common control. Accordingly, our supplemental consolidated combined financial statements prior to the acquisition date of December 16, 2019 were retrospectively recast to include the financial results of Hess Infrastructure Partners. See Note 3, Acquisitions.

The terms "we," "our" and "us" as used in this report 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 Partnership.

Our assets and operations are organized into the following three segments: (i) gathering, (ii) processing and storage and (iii) terminaling and export (see Note 14, Segments).

**Note 2. Summary of Significant Accounting Policies and Basis of Presentation**

*Consolidation.* The supplemental consolidated combined financial statements include our accounts and those of our wholly-owned subsidiaries on a consolidated basis. We consolidate the accounts of entities over which we have a controlling financial interest through our ownership of the general partner or the majority voting interests of the entity. Prior to the Restructuring Transaction on December 16, 2019 that resulted in our indirect ownership of 100% interest in the Joint Interest Assets, we consolidated the activities of Gathering Opco, HTGP Opco and Logistics Opco, which qualified as variable interest entities ("VIE") under U.S. GAAP. We concluded that we were the primary beneficiary of each VIE, as defined in the accounting standards, since we had the power through our general partner interests to direct those activities that most significantly impact the economic performance of the Joint Interest Assets and had a right to receive benefits and an obligation to absorb losses that could potentially be significant. All financial statement activities associated with VIEs are captured within gathering, processing and storage, and terminaling and export segments (see Note 14, Segments). We reflected a noncontrolling interest representing the 80% retained limited partner interest owned by Hess Infrastructure Partners in the Joint Interest Assets in the supplemental consolidated combined financial statements of the Partnership. Subsequent to the Restructuring Transaction, HESM continues to consolidate and control Gathering Opco, HTGP Opco, Logistics Opco, Mentor Holdings and Hess Water Services based on our 100% ownership of these entities. All intercompany transactions and balances within the Partnership have been eliminated.

*Use of Estimates.* We prepare our supplemental consolidated combined financial statements in conformity with the U.S. generally accepted accounting principles ("GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years presented. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates.

*Common Control Transactions.* Assets and businesses acquired from Hess and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with net assets of the Partnership at Hess's historical carrying value. If any recognized consideration transferred in such a transaction exceeds the carrying value of the net assets acquired, the excess is treated as a capital distribution to Hess, similar to a dividend. To the extent that such transactions require prior periods to be retrospectively adjusted, historical net equity amounts prior to the transaction date are reflected in "Net Parent Investment." Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our supplemental consolidated combined statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our supplemental consolidated combined statement of cash flows.

*Cash and Cash Equivalents.* Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less when acquired.

*Accounts Receivable.* We record affiliate accounts receivable upon performance of services to affiliated companies. Generally, we receive payments from affiliated companies on a monthly basis, shortly after performance of services. There were no doubtful accounts written off, nor have we provided an allowance for doubtful accounts, as of December 31, 2018 and 2017.

*Property, Plant and Equipment.* Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation subject to the results of impairment testing. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect construction costs include general engineering, taxes and the cost of funds used during construction. Costs, including complete asset replacements and enhancements or upgrades that increase the original efficiency, productivity or capacity of property, plant and equipment, are also capitalized. The costs of repairs, minor replacements and maintenance projects, which do not increase the original efficiency, productivity or capacity of property, plant and equipment, are expensed as incurred.

*Capitalization of Interest.* Interest charges from borrowings are capitalized on material projects using the weighted average cost of outstanding borrowings until the project is substantially complete and ready for its intended use. Capitalized interest is depreciated over the useful lives of the assets in the same manner as the depreciation of the underlying assets.

*Impairment of Long-Lived Assets.* We review long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' net book value. Undiscounted cash flows are based on identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If impairment occurs, a loss is recognized for the difference between the fair value and net book value. Such fair value is generally determined by discounting anticipated future net cash flows, an income valuation approach, or by a market-based valuation approach, which are Level 3 fair value measurements. Factors that indicate potential impairment include a significant decrease in the market value of the asset, operating or cash flow losses associated with the use of the asset, and a significant change in the asset's physical condition or use. See Note 6, Impairment.

*Equity Investments*. We account for our investment in LM4 under the equity method of accounting, as we do not control, but have a significant influence over, its operations. As of December 31, 2018, we contributed $67.3 million of cash for our gross interest in LM4. As of December 31, 2018, we do not have a basis difference between the amount at which the investment is carried and the amount of underlying equity in net assets of the investee.

*Deferred Financing Costs.* We capitalize debt issuance costs and fees incurred related to the procurement of our fixed-rate senior notes and other credit facilities. We amortize such costs as additional interest expense over the lives of our credit agreements using the straight-line method, which approximates the effective interest method. Unamortized deferred financing costs related to our revolving credit facility are presented in Other noncurrent assets (2018—$6.9 million, 2017—$9.1 million) and unamortized deferred financing costs related to our fixed-rate senior notes and our term loan are presented as a direct reduction to the Long-term debt (2018—$16.5 million, 2017—$19.6 million) in the accompanying supplemental consolidated combined balance sheets.

*Asset Retirement Obligations.* We record legal obligations to remove and dismantle long-lived assets. We recognize a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred if the liability can be reasonably estimated. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. Accretion expense is included in Depreciation expense in the supplemental consolidated combined statement of operations. We have not incurred significant asset retirement obligations.

*Net Parent Investment.* Net parent investment represents Hess Infrastructure Partners' historical activity as well as Hess's historical investment in Hess Water Services prior to its acquisition by Hess Infrastructure Partners, the accumulated net operating results through the date when we obtained control of Hess Infrastructure Partners, and the net effect of transactions between Hess Infrastructure Partners and its sponsors, Hess and GIP, and between Hess and Hess Water Services. Retrospectively adjusted financial information from prior to the acquisition of Hess Infrastructure Partners is included in Net parent investment.

*Revenue Recognition—Contracts with Customers.* We earn 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, gathering and disposing produced water, and storing and terminaling propane. We do not own or take title to the volumes that we handle. Effective January 1, 2014, we entered into i) gas gathering, ii) crude oil gathering, iii) gas processing and fractionation, iv) storage services, and v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. In 2018 and partial year 2017, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed. Hess Water Services did not earn any revenues during the year ended December 31, 2016, since at that time, it was part of the integrated operations of Hess and documented intercompany arrangements did not exist that would have provided a fixed and determinable price and evidence of arrangement.

Our responsibilities to provide each of the above services for each year under each of the commercial agreements are considered separate, distinct performance obligations. We recognize revenues for each performance obligation under our commercial agreements over-time as services are rendered using the output method, measured using the amount of volumes serviced during the period. The minimum volume commitments are subject to fluctuation based on nominations covering substantially all of Hess's production and projected third-party volumes that will be purchased in the Bakken. As the minimum volume commitments are subject to fluctuation, and these commercial agreements contain fee inflation escalators and fee recalculation mechanisms, substantially all of the transaction price, as this term is defined in ASC 606, is variable at inception of each of the commercial agreements. As the variability is resolved prior to the recognition of revenue, we do not apply a constraint to the transaction price at the inception of the commercial agreements. We elected the practical expedient to recognize revenue in the amount to which we have a right to invoice as permitted under ASC 606. Due to this election and as the transaction price allocated to our unsatisfied performance obligations is entirely variable, we have elected the exemption provided by ASC 606 from the disclosure of revenue recognizable in future periods as our unsatisfied performance obligations are fulfilled. There are no significant financing components in any of our commercial agreements.

The minimum volumes that Hess provides to our assets under our commercial agreements include dedicated production covering substantially all of Hess's existing and future owned or controlled production in the Bakken and projected third-party volumes owned or controlled by Hess through dedicated third-party contracts. If Hess delivers volumes less than the applicable minimum volume commitments under our commercial agreements during any quarter, Hess is obligated to pay us a shortfall fee equal to the volume deficiency multiplied by the related gathering, processing and/or terminaling fee, as applicable. Our responsibility to stand-ready to service a minimum volume over each quarterly commitment period represents a separate, distinct performance obligation. Currently, and for the remainder of the Initial Term of each commercial agreement as described in Note 4, volume deficiencies are measured quarterly and recognized as revenue in the same period, as any associated shortfall payments are not subject to future reduction or offset. During the Secondary Term of each commercial agreement as described in Note 4, Hess will be entitled to receive a credit, calculated in barrels or Mcf, as applicable, with respect to the amount of any shortfall fee paid by Hess, which will initially be reported in deferred revenue. Hess may apply such credit against the fees payable for any volumes delivered to us under the applicable agreement in excess of Hess' nominated volumes up to four quarters after such credit is earned. Unused credits by Hess will be recognized as revenue when they expire after four quarters. However, Hess will not be entitled to receive any such credit with respect to crude oil terminaling services under our terminal and export services agreement

Our revenues also included pass-through third-party rail transportation costs, third-party produced water trucking and disposal costs, and electricity fees for which we recognize revenues in an amount equal to the costs.

*Depreciation Expense.* We calculate depreciation using the straight-line method based on the estimated useful lives after considering salvage values of our fixed assets. Depreciation lives range from 12 to 35 years. However, factors such as maintenance levels, economic conditions impacting the demand for these assets, and regulatory or environmental requirements could cause us to change our estimates, thus impacting the future calculation of depreciation.

*Unit-Based Compensation.* Unit-based compensation issued to the officers, directors and employees 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 supplemental consolidated combined statements of operations. Forfeitures are recognized as they occur.

*Income Taxes*. Prior to the Restructuring Transaction on December 16, 2019 (see Note 17, Subsequent Events), we were not a separate taxable entity for U.S. Federal and state income tax purposes; therefore, we did not provide for income tax benefit or expense. Each partner was subject to income taxes on its share of the partnership's earnings.

On March 1, 2019, Hess Infrastructure Partners acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it were a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the period from March 1, 2019 through the Restructuring Transaction date of December 16, 2019, Hess Water Services was not taxable itself and was not part of a separate taxable entity; therefore, no income tax provision was recognized.

Subsequent to the Restructuring Transaction on December 16, 2019, Hess Midstream LP, which is taxed as a corporation for U.S. federal and state income tax purposes, became a partial owner of HESM. Hess Midstream LP will provide income tax expense or benefit on its allocable share of HESM income or loss for periods subsequent to the Restructuring Transaction.

*Environmental and Legal Contingencies.* We accrue and expense environmental costs on an undiscounted basis to remediate existing conditions related to past operations when the future costs are probable and reasonably estimable.

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.

*Fair Value Measurements*. We measure assets and liabilities requiring fair value presentation using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclose such amounts according to the level of valuation inputs under the following hierarchy:

Level 1: Quoted prices in an active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are directly or indirectly observable.

Level 3: Unobservable inputs that are significant to the fair value of assets or liabilities.

The classification of an asset or liability within the fair value measurement hierarchy is based on the lowest level of input significant to its fair value.

There were no nonrecurring fair value measurements during the years ended December 31, 2018 and 2017. We had short-term financial instruments, primarily cash and cash equivalents, accounts receivable and accounts payable, for which the carrying value approximated their fair value as of December 31, 2018 and 2017.

We had nonrecurring fair value measurements related to impairment of our older specification rail cars during the year ended December 31, 2016. See Note 6, Impairment.

*Derivatives.* We may utilize derivative instruments for financial risk management activities. In these activities, we may use futures, forwards, options and swaps, individually or in combination, to mitigate our exposure to fluctuations in interest rates.

All derivative instruments are recorded at fair value in our supplemental consolidated combined balance sheet. Our policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges are recognized in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges). Changes in fair value of derivatives that are designated as cash flow hedges are recorded as a component of other comprehensive income (loss). Amounts included in Accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in 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. We adopted ASC 606 as of January 1, 2018 using the modified retrospective method that requires application of the new standard prospectively from the date of adoption. The adoption of ASC 606 did not have a material impact on the timing or amount of revenue recognition for our uncompleted contracts at January 1, 2018 based on the requirements of the standard and, as a result, no cumulative effect adjustment was required to be recorded to our partners' capital balance as of January 1, 2018. Accounts receivable from contracts with customers are presented separately in the supplemental consolidated combined balance sheet with the prior year balance recast to conform to the current period presentation.

In February 2016, the FASB issued ASU 2016 02, Leases, as a new ASC Topic, ASC 842. The new standard supersedes ASC 840 and will require the recognition of right-of-use assets and lease liabilities for all leases with lease terms greater than one year, including leases currently treated as operating leases under ASC 840. ASC 842 is effective for us beginning in the first quarter of 2019, with early adoption permitted. We have elected to adopt ASC 842 on January 1, 2019 using the modified retrospective method which allows application of the new standard prospectively from the date of adoption with a cumulative effect adjustment, if any, recorded to partners' capital at the date of adoption. Accordingly, comparative financial statements for periods prior to the adoption date of ASC 842 will not be affected. In addition, we have elected to apply the 'package' of practical expedients allowing us to avoid reassessing whether existing contracts are (or contain) leases, whether the lease classification for existing leases would differ under ASC 842, and whether initial direct costs incurred for existing leases are capitalizable under ASC 842. Finally, we have elected to apply the practical expedient allowing us to avoid reassessing land easements that were not previously accounted for as leases under ASC 840. We have not elected the 'hindsight' practical expedient when determining lease term. The adoption of ASC 842 on January 1, 2019, is not expected to have a material impact on our supplemental consolidated combined financial statements.

**Note 3. Acquisitions**

***Hess Water Services Acquisition***

On March 1, 2019, the Hess Infrastructure Partners acquired 100% of the membership interest in Hess Water Services Holdings LLC that owns Hess's existing Bakken water services business for $225.0 million in cash. Hess Infrastructure Partners funded the purchase price through a combination of cash on hand and borrowings under its revolving credit facility. In connection with the Hess Water Services acquisition, Hess Infrastructure Partners acquired the following:

| (in millions) | | |
|---|---|---|
| Property, plant and equipment, net | $ | 70.8 |
| Working capital | | (1.2) |
| Asset retirement obligations | | (0.7) |
| Net assets acquired | $ | 68.9 |

The transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at Hess's historical carrying value. We recognized $156.1 million of consideration in excess of the book value of net assets acquired as a capital distribution to Hess.

Hess Water Services is included in our gathering segment (see Note 14, Segments).

***Hess Infrastructure Partners LP Acquisition***

On December 16, 2019, the Partnership completed the Restructuring Transaction, pursuant to which the Partnership acquired all of the partnership interests of Hess Infrastructure Partners from Hess and GIP, including HIP's retained 80% economic interest in the Joint Interest Assets, its produced water gathering and disposal business and all of the HESM incentive distribution rights. The acquisition of Hess Infrastructure Partners resulted in HESM's ownership of 100% of the Joint Interest Assets and 100% of Hess Water Services and was accounted for as an acquisition of a business under common control. Accordingly, consolidated financial statements prior to the acquisition date of December 16, 2019 were retrospectively recast to include the financial results of Hess Infrastructure Partners. Hess Infrastructure Partners previously consolidated the results of HESM; therefore, the recast of HESM's previously reported financial information did not result in any changes in segment information, other than inclusion of Hess Water Services in the gathering segment.

***Retrospective Adjusted Information Tables***

The following tables present our financial position as of December 31, 2018 and 2017, and the results of operations and cash flows for the years ended December 31, 2018, 2017 and 2016, giving effect to the acquisition of Hess Infrastructure Partners. The results of Hess Infrastructure Partners prior to the effective date of the acquisition are included in "Acquisition of HIP" and the consolidated combined results are included in "Consolidated Combined" within the tables below. HESM, as previously reported, did not have any items of other comprehensive income during the periods presented.

Supplemental Consolidated Combined Balance Sheets

| | December 31, 2018 | | |
|---|---|---|---|
| (in millions) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Assets | | | |
| Cash and cash equivalents | $ 20.3 | $ 89.0 | $ 109.3 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 62.2 | 5.1 | 67.3 |
| Other receivables | 0.8 | (0.3) | 0.5 |
| Other current assets | 2.8 | 0.5 | 3.3 |
| Total current assets | 86.1 | 94.3 | 180.4 |
| Equity Investments | 67.3 | - | 67.3 |
| Property, plant and equipment, net | 2,664.1 | 71.2 | 2,735.3 |
| Long-term receivable—affiliate | - | 1.3 | 1.3 |
| Other noncurrent assets | 2.2 | 4.7 | 6.9 |
| Total assets | $ 2,819.7 | $ 171.5 | $ 2,991.2 |
| Liabilities | | | |
| Accounts payable—trade | $ 15.3 | $ 3.3 | $ 18.6 |
| Accounts payable—affiliate | 15.8 | - | 15.8 |
| Accrued liabilities | 64.5 | 21.1 | 85.6 |
| Current maturities of long-term debt | - | 11.3 | 11.3 |
| Other current liabilities | 6.8 | - | 6.8 |
| Total current liabilities | 102.4 | 35.7 | 138.1 |
| Long-term debt | - | 969.8 | 969.8 |
| Other noncurrent liabilities | 6.4 | 0.8 | 7.2 |
| Total liabilities | 108.8 | 1,006.3 | 1,115.1 |
| Common unitholders—public (17,014,377 units issued and outstanding) | 357.1 | - | 357.1 |
| Common unitholders—affiliate (10,282,654 units issued and outstanding) | 39.5 | - | 39.5 |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding) | 105.3 | - | 105.3 |
| General partner | 14.9 | - | 14.9 |
| Total Hess Midstream Partners LP partners' capital | 516.8 | - | 516.8 |
| Noncontrolling interest | 2,194.1 | - | 2,194.1 |
| Accumulated other comprehensive income | - | 1.2 | 1.2 |
| Net parent investment | - | (836.0) | (836.0) |
| Total partners' capital | 2,710.9 | (834.8) | 1,876.1 |
| Total liabilities and partners' capital | $ 2,819.7 | $ 171.5 | $ 2,991.2 |

| (in millions) | December 31, 2017 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | $ 47.2 | $ 308.5 | $ 355.7 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 58.5 | 2.9 | 61.4 |
| Other receivables | 1.3 | (1.2) | 0.1 |
| Other current assets | 4.4 | 1.6 | 6.0 |
| Total current assets | 111.4 | 311.8 | 423.2 |
| Property, plant and equipment, net | 2,520.5 | 68.1 | 2,588.6 |
| Long-term receivable—affiliate | - | 1.5 | 1.5 |
| Other noncurrent assets | 3.2 | 5.9 | 9.1 |
| Total assets | $ 2,635.1 | $ 387.3 | $ 3,022.4 |
| Liabilities | | | |
| Accounts payable—trade | 12.2 | 2.4 | $ 14.6 |
| Accounts payable—affiliate | 22.5 | (0.3) | 22.2 |
| Accrued liabilities | 32.7 | 7.6 | 40.3 |
| Current maturities of long-term debt | - | 2.5 | 2.5 |
| Other current liabilities | 7.0 | - | 7.0 |
| Total current liabilities | 74.4 | 12.2 | 86.6 |
| Long-term debt | - | 977.9 | 977.9 |
| Other noncurrent liabilities | 5.4 | 0.2 | 5.6 |
| Total liabilities | 79.8 | 990.3 | 1,070.1 |
| Common unitholders—public (16,997,000 units issued and outstanding) | 357.7 | - | 357.7 |
| Common unitholders—affiliate (10,282,654 units issued and outstanding) | 40.5 | - | 40.5 |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding) | 107.8 | - | 107.8 |
| General partner | 14.8 | - | 14.8 |
| Total Hess Midstream Partners LP partners' capital | 520.8 | - | 520.8 |
| Noncontrolling interest | 2,034.5 | - | 2,034.5 |
| Accumulated other comprehensive income | - | 1.6 | 1.6 |
| Net parent investment | - | (604.6) | (604.6) |
| Total partners' capital | 2,555.3 | (603.0) | 1,952.3 |
| Total liabilities and partners' capital | $ 2,635.1 | $ 387.3 | $ 3,022.4 |

Supplemental Consolidated Combined Statements of Operations

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| (in millions) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Revenues and other income | | | |
| Affiliate services | $ 661.7 | $ 50.3 | $ 712.0 |
| Other income | 0.7 | - | 0.7 |
| Total revenues and other income | 662.4 | 50.3 | 712.7 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 154.3 | 39.2 | 193.5 |
| Depreciation expense | 123.0 | 3.9 | 126.9 |
| General and administrative expenses | 11.5 | 2.6 | 14.1 |
| Total costs and expenses | 288.8 | 45.7 | 334.5 |
| Income from operations | 373.6 | 4.6 | 378.2 |
| Interest expense, net | 1.3 | 52.0 | 53.3 |
| Gain on sale of property, plant and equipment | - | 0.6 | 0.6 |
| Net income | 372.3 | (46.8) | 325.5 |
| Less: Net income (loss) attributable to net parent investment | - | (46.8) | (46.8) |
| Less: Net income attributable to noncontrolling interest | 301.5 | - | 301.5 |
| Net income attributable to Hess Midstream Partners LP | 70.8 | - | 70.8 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.7 | - | 1.7 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 69.1 | - | $ 69.1 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 1.27 | | $ 1.27 |
| Subordinated | $ 1.27 | | $ 1.27 |
| Weighted average limited partner units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | | 27.3 |
| Subordinated | 27.3 | | 27.3 |
| Diluted: | | | |
| Common | 27.4 | | 27.4 |
| Subordinated | 27.3 | | 27.3 |

| (in millions) | Year Ended December 31, 2017 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Revenues and other income | | | |
| Affiliate services | $ 565.6 | $ 13.9 | $ 579.5 |
| Other income | 0.2 | (0.2) | - |
| Total revenues and other income | 565.8 | 13.7 | 579.5 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 158.4 | 27.6 | 186.0 |
| Depreciation expense | 113.1 | 3.4 | 116.5 |
| General and administrative expenses | 8.1 | 5.8 | 13.9 |
| Total costs and expenses | 279.6 | 36.8 | 316.4 |
| Income from operations | 286.2 | (23.1) | 263.1 |
| Interest expense, net | 1.4 | 24.4 | 25.8 |
| Gain on sale of property, plant and equipment | - | 4.7 | 4.7 |
| Net income | 284.8 | (42.8) | 242.0 |
| Less: Net income (loss) attributable to net parent investment | 68.2 | (42.8) | 25.4 |
| Less: Net income attributable to noncontrolling interest | 175.4 | - | 175.4 |
| Net income attributable to Hess Midstream Partners LP | 41.2 | - | 41.2 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 0.8 | - | 0.8 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 40.4 | $ - | $ 40.4 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 0.75 | | $ 0.75 |
| Subordinated | $ 0.75 | | $ 0.75 |
| Weighted average limited partner units outstanding (basic and diluted): | | | |
| Common | 26.9 | | 26.9 |
| Subordinated | 26.9 | | 26.9 |

| (in millions) | Year Ended December 31, 2016<br>HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Revenues and other income | | | |
| Affiliate services | $ 509.8 | $ 0.2 | $ 510.0 |
| Total revenues and other income | 509.8 | 0.2 | 510.0 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 193.4 | 26.4 | 219.8 |
| Depreciation expense | 99.7 | 6.1 | 105.8 |
| Impairment loss | - | 66.7 | 66.7 |
| General and administrative expenses | 10.4 | 7.0 | 17.4 |
| Total costs and expenses | 303.5 | 106.2 | 409.7 |
| Income from operations | 206.3 | (106.0) | 100.3 |
| Interest expense, net | 1.4 | 17.3 | 18.7 |
| Net income | $ 204.9 | $ (123.3) | $ 81.6 |

Supplemental Consolidated Combined Statements of Cash Flows

| (in millions) | Year Ended December 31, 2018 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 372.3 | $ (46.8) | $ 325.5 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 123.0 | 3.9 | 126.9 |
| (Gain) loss on sale of property, plant and equipment | - | (0.6) | (0.6) |
| (Gain) loss on interest rate swaps | - | (0.4) | (0.4) |
| Amortization of deferred financing costs | 1.0 | 4.0 | 5.0 |
| Unit-based compensation | 0.9 | - | 0.9 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (3.2) | (3.1) | (6.3) |
| Other current and noncurrent assets | 1.6 | 0.3 | 1.9 |
| Accounts payable—trade | 3.1 | 0.9 | 4.0 |
| Accounts payable—affiliate | (6.7) | 0.3 | (6.4) |
| Accrued liabilities | 2.7 | 14.6 | 17.3 |
| Other current and noncurrent liabilities | (1.1) | 0.2 | (0.9) |
| Net cash provided by (used in) operating activities | 493.6 | (26.7) | 466.9 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (67.3) | - | (67.3) |
| Proceeds from sale of property, plant and equipment | - | 1.6 | 1.6 |
| Additions to property, plant and equipment | (235.6) | (6.3) | (241.9) |
| Net cash provided by (used in) investing activities | (302.9) | (4.7) | (307.6) |
| Cash flows from financing activities | | | |
| Repayments of bank borrowings - term loan | - | (2.5) | (2.5) |
| Financing costs | - | (1.0) | (1.0) |
| Distributions to Hess and GIP | - | (322.0) | (322.0) |
| Distributions to noncontrolling interest | (199.2) | 199.2 | - |
| Contributions from noncontrolling interests | 57.3 | (57.3) | - |
| Distributions to HESM unitholders and general partner | (75.7) | 1.6 | (74.1) |
| Other contributions (distributions) | - | (6.1) | (6.1) |
| Net cash provided by (used in) financing activities | (217.6) | (188.1) | (405.7) |
| Net increase (decrease) in cash and cash equivalents | (26.9) | (219.5) | (246.4) |
| Cash and cash equivalents at beginning of period | 47.2 | 308.5 | 355.7 |
| Cash and cash equivalents at end of period | $ 20.3 | $ 89.0 | $ 109.3 |

| (in millions) | Year Ended December 31, 2017 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 284.8 | $ (42.8) | $ 242.0 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 113.1 | 3.4 | 116.5 |
| (Gain) loss on sale of property, plant and equipment | - | (4.7) | (4.7) |
| (Gain) loss on interest rate swaps | - | (1.7) | (1.7) |
| Amortization of deferred financing costs | 0.6 | 3.2 | 3.8 |
| Unit-based compensation | 0.2 | - | 0.2 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (15.2) | (1.7) | (16.9) |
| Other current and noncurrent assets | (1.7) | 2.9 | 1.2 |
| Accounts payable—trade | (16.6) | (0.1) | (16.7) |
| Accounts payable—affiliate | 34.4 | (26.9) | 7.5 |
| Accrued liabilities | (1.9) | 5.1 | 3.2 |
| Other current and noncurrent liabilities | 2.2 | (0.1) | 2.1 |
| Net cash provided by (used in) operating activities | 399.9 | (63.4) | 336.5 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | - | 12.8 | 12.8 |
| Additions to property, plant and equipment | (136.4) | (7.8) | (144.2) |
| Net cash provided by (used in) investing activities | (136.4) | 5.0 | (131.4) |
| Cash flows from financing activities | | | |
| Cash distributions to parent prior to the IPO on April 10, 2017 | (95.3) | 95.3 | - |
| Cash contributions from parent prior to the IPO on April 10, 2017 | 67.1 | (67.1) | - |
| Proceeds from (repayments of) bank borrowings - revolver | - | (153.0) | (153.0) |
| Repayments of bank borrowings - term loan | - | (385.0) | (385.0) |
| Proceeds from issuance of fixed-rate senior notes | - | 800.0 | 800.0 |
| Financing costs | (3.9) | (19.0) | (22.9) |
| IPO proceeds, net of underwriters' discounts | 365.5 | - | 365.5 |
| Distribution of IPO proceeds to Hess and GIP | (349.5) | - | (349.5) |
| Cash offering costs | (2.1) | - | (2.1) |
| Distributions to Hess and GIP | - | (100.0) | (100.0) |
| Distributions to HESM unitholders and general partner | (32.3) | 0.6 | (31.7) |
| Distributions (to) from noncontrolling interest | (244.6) | 244.6 | - |
| Contributions from (to) noncontrolling interest | 78.5 | (78.5) | - |
| Other contributions (distributions) | - | 27.6 | 27.6 |
| Net cash provided by (used in) financing activities | (216.6) | 365.5 | 148.9 |
| Net increase (decrease) in cash and cash equivalents | 46.9 | 307.1 | 354.0 |
| Cash and cash equivalents at beginning of period | 0.3 | 1.4 | 1.7 |
| Cash and cash equivalents at end of period | $ 47.2 | $ 308.5 | $ 355.7 |

.

| (in millions) | Year Ended December 31, 2016 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 204.9 | $ (123.3) | $ 81.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 99.7 | 6.1 | 105.8 |
| Impairment Loss | - | 66.7 | 66.7 |
| Amortization of deferred financing costs | 1.1 | 2.3 | 3.4 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | 5.9 | (2.5) | 3.4 |
| Other current and noncurrent assets | 2.1 | (0.4) | 1.7 |
| Accounts payable—trade | (12.7) | 2.2 | (10.5) |
| Accounts payable—affiliate | 87.5 | (91.3) | (3.8) |
| Accrued liabilities | 2.4 | 0.3 | 2.7 |
| Other current and noncurrent liabilities | (3.6) | 0.1 | (3.5) |
| Net cash provided by (used in) operating activities | 387.3 | (139.8) | 247.5 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | (263.6) | (5.0) | (268.6) |
| Net cash provided by (used in) investing activities | (263.6) | (5.0) | (268.6) |
| Cash flows from financing activities | | | |
| Cash distributions to parent prior to the IPO on April 10, 2017 | (306.9) | 306.9 | - |
| Cash contributions from parent prior to the IPO on April 10, 2017 | 183.2 | (183.2) | - |
| Proceeds from (repayments of) bank borrowings - revolver | - | 43.0 | 43.0 |
| Repayments of bank borrowings - term loan | - | (15.0) | (15.0) |
| Distributions to Hess and GIP | - | (49.0) | (49.0) |
| Other contributions (distributions) | - | 40.5 | 40.5 |
| Net cash provided by (used in) financing activities | (123.7) | 143.2 | 19.5 |
| Net increase (decrease) in cash and cash equivalents | - | (1.6) | (1.6) |
| Cash and cash equivalents at beginning of period | 3.3 | - | 3.3 |
| Cash and cash equivalents at end of period | $ 3.3 | $ (1.6) | $ 1.7 |

## Note 4. Related Party Transactions

We are part of the consolidated operations of Hess, and substantially all of our revenues as shown on the accompanying supplemental consolidated combined statements of operations for the years ended December 31, 2018, 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 i) gas gathering, ii) crude oil gathering, iii) gas processing and fractionation, iv) storage services, and v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. In addition, for the years ended December 31, 2018 and 2017, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed. Hess Water Services did not earn any revenues during the year ended December 31, 2016, since at that time, it was part of the integrated operations of Hess and documented intercompany arrangements did not exist that would have provided a fixed and determinable price and evidence of arrangement. As a result, Hess Water Services recognized costs but did not record associated revenues for its operations during the year ended December 31, 2016.

Under our commercial agreements, we provide gathering, compression, processing, fractionation, storage, terminaling, loading, transportation and produced water disposal services to Hess, for which we receive a fee per barrel of crude oil, barrel of water, Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, delivered during each month, and Hess is obligated to provide us with minimum volumes of crude oil, water, natural gas and NGLs. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually.

On September 17, 2018, we amended and restated our gas gathering and gas processing and fractionation agreements with Hess to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. Effective January 1, 2019, Hess will pay us a combined processing fee per Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, for aggregate volumes processed at LM4 and Tioga Gas Plant. Except with regard to a certain gathering sub-system as described below, each of our commercial agreements with Hess retains its initial 10-year term (“Initial Term”) and we have the unilateral right to extend each commercial agreement for one additional 10-year term (“Secondary Term”). The amended and restated gas gathering agreement also extends the Initial Term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year Initial Term and decreases the Secondary Term for that gathering sub-system by 5 years to provide for a 5-year Secondary Term. In addition, the fee recalculation mechanism continues to apply to the amended and restated agreements and, effective January 1, 2019, will incorporate the revenues received and expected to be received by Hess from sourcing third-party dedicated production in order to further align the interests of us and Hess in promoting the growth of third-party volumes on our Bakken assets.

For the years ended December 31, 2018, 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 retain control of our assets and the flow of volumes based on available capacity within our integrated gathering, processing and terminaling systems. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

During the year ended December 31, 2018, we earned $47.5 million of minimum volume shortfall fee payments (2017: $61.6 million, 2016: $36.5 million). In addition, during the year ended December 31, 2018, we recognized, as part of the affiliate revenues, $16.8 million of reimbursements from Hess related to third-party rail transportation costs (2017: $17.0 million, 2016: $31.7 million). Furthermore, during the year ended December 31, 2018, we recognized, as part of affiliate revenues, $36.5 million of reimbursements from Hess related to third-party produced water trucking and disposal costs (2017: $5.1 million, 2016: zero). Finally, during the year ended December 31, 2018, we recognized, as part of affiliate revenues, $27.2 million of reimbursements from Hess related to electricity fees (2017: $24.9 million, 2016: $24.1 million). The related third-party rail transportation costs, produced water trucking and disposal costs and electricity fees were included in Operating and maintenance expenses in the accompanying supplemental consolidated combined statements of operations.

Revenue from contracts with customers on a disaggregated basis was as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 | 2017 | 2016 |
| Oil and gas gathering services | $ 324.9 | $ 271.6 | $ 212.8 |
| Water gathering and disposal services | 50.3 | 13.9 | - |
| Processing and storage services | 251.4 | 227.3 | 196.7 |
| Terminaling and export services | 85.4 | 66.7 | 100.3 |
| Total revenues from contracts with customers | 712.0 | 579.5 | 509.8 |
| Other income | 0.7 | - | 0.2 |
| Total revenues | $ 712.7 | $ 579.5 | $ 510.0 |

***Omnibus and Employee Secondment Agreements***

We entered into an omnibus agreement with Hess 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.

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 years ended December 31, 2018, 2017 and 2016, we had the following charges from Hess. 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.

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 | 2017 | 2016 |
| Operating and maintenance expenses | $ 50.2 | $ 57.3 | $ 63.2 |
| General and administrative expenses | 7.8 | 6.7 | 11.4 |
| Total | $ 58.0 | $ 64.0 | $ 74.6 |

***Prepaid Forward Purchase and Sales Agreement***

Prior to the commencement of the joint venture operations, certain of our subsidiaries entered into a Prepaid Forward Purchase and Sales Agreement with Hess in which we received a contractual right to receive 550 crude oil rail cars for an estimated purchase price of $104.1 million. In connection with this agreement, Hess contributed to us $104.1 million, which was subsequently used to prepay the contract for the purchase of the crude oil rail cars from Hess. During the year ended December 31, 2016 we recognized $54.1 million in Property, plant and equipment and in partners' capital contributions, respectively, in connection with this agreement. As of December 31, 2016, we had received all 550 crude oil rail cars.

***Other Related Party Transactions***

During the year ended December 31, 2016, Hess contributed to us additional gathering assets for $42.9 million that were recognized in Property, plant and equipment and in partners' capital contributions, respectively. This contribution did not have any impact on Hess's ownership interest in us.

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

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

| (in millions, except for number of years) | Estimated useful lives | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Gathering assets | | | |
| Pipelines | 22 years | $ 1,098.1 | $ 976.9 |
| Compressors, pumping stations, and terminals | 22 to 25 years | 558.9 | 536.1 |
| Gas plant assets | | | |
| 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 | 185.5 | 158.4 |
| Logistics facilities and railcars | 20 to 25 years | 385.8 | 371.1 |
| Storage facilities | 20 to 25 years | 19.5 | 19.5 |
| Other | 20 to 25 years | 11.4 | 9.3 |
| Construction-in-progress | N/A | 158.5 | 73.0 |
| Total property, plant and equipment | | 3,488.2 | 3,214.8 |
| Accumulated depreciation | | (752.9) | (626.2) |
| Property, plant and equipment, net | | $ 2,735.3 | $ 2,588.6 |

**Note 6. Impairment**

No impairments of long-lived assets were recorded during the years ended December 31, 2018 and 2017. In 2016, we recorded an impairment charge of $66.7 million to impair older specification rail cars based on estimated salvage values, which approximate fair value and represent a Level 3 fair value measurement as defined under accounting standards. In 2017, we sold 851 of 956 of these older specification rail cars for proceeds of $12.8 million, which resulted in a gain of $4.7 million. In 2018, we sold the remaining older specification rail cars for proceeds of $1.6 million, which resulted in a gain of $0.6 million. The older specification rail cars are reported under Interest and Other (see Note 14, Segments).

**Note 7. Accrued Liabilities**

Accrued liabilities are as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Accrued capital expenditures | $ 52.4 | $ 23.0 |
| Accrued interest | 16.9 | 4.8 |
| Other accruals | 16.3 | 12.5 |
| Total | $ 85.6 | $ 40.3 |

Other current liabilities of $6.8 million represent payables for property and sales and use taxes.

**Note 8. Debt and Interest Expense**

Long-term debt excluding deferred financing costs is as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Fixed-rate senior notes | $ 800.0 | $ 800.0 |
| Term Loan A facility | 197.5 | 200.0 |
| Total debt | 997.5 | 1,000.0 |
| Less: current maturities of long-term debt | 11.3 | 2.5 |
| Total long-term debt | $ 986.2 | $ 997.5 |

As of December 31, 2018, the maturity profile of total debt, excluding deferred financing costs, was as follows:

| (in millions) | Total | 2019 | 2020 | 2021 | 2022 | 2023 and thereafter |
|---|---|---|---|---|---|---|
| Fixed-rate senior notes | $ 800.0 | $ - | $ - | $ - | $ - | $ 800.0 |
| Term Loan A facility | 197.5 | 11.3 | 15.0 | 16.2 | 155.0 | - |
| Total debt (excluding interest) | $ 997.5 | $ 11.3 | $ 15.0 | $ 16.2 | $ 155.0 | $ 800.0 |

***Hess Infrastructure Partners LP Fixed-Rate Senior Notes***

In November 2017, Hess Infrastructure Partners issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of Hess Infrastructure Partners, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of Hess Infrastructure Partners. Interest is payable semi-annually on February 15 and August 15. Hess Infrastructure Partners used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At December 31, 2018, the Partnership had $800 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600 million 5-year revolving credit facility and a drawn $200 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund HIP's operating activities and capital expenditures. The credit facilities are guaranteed by certain of HIP's wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of HIP's and certain of its wholly owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At December 31, 2018, HIP's revolving credit facility was undrawn, and borrowings of $197.5 million, excluding deferred issuance costs, were outstanding under HIP's Term Loan A facility. See Note 17, Subsequent Events.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate ("LIBOR") plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. 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"). If HIP obtains an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require HIP to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of December 31, 2018, HIP was in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, HESM entered into a four-year, $300.0 million senior secured revolving credit facility that became available upon the closing of HESM's IPO on April 10, 2017. The credit facility can be used for borrowings and letters of credit to fund HESM's operating activities and capital expenditures. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on HESM's leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit facility). Facility fees accrue at 0.275% per annum and are paid quarterly. If HESM obtains credit ratings, pricing levels will be based on HESM's credit ratings in effect from time to time. HESM 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 December 31, 2018, the revolving credit facility remained undrawn. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of HESM and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. See Note 17, Subsequent Events.

***Fair Value Measurement***

The carrying value of the amounts under the Term Loan A facility at each year end approximated their fair value. At December 31, 2018, outstanding amounts under the fixed-rate senior notes with a carrying value of $787.1 million had a fair value of approximately $779.9 million, based on Level 2 inputs in the fair value measurement hierarchy. A 15% increase or decrease in interest rates would decrease or increase the fair value of our fixed rate debt by approximately $40 million or $42 million, respectively. At December 31, 2017, outstanding amounts under the fixed-rate senior notes with a carrying value of $784.9 million had a fair value of approximately $827.2 million, based on Level 2 inputs in the fair value measurement hierarchy. A 15% increase or decrease in interest rates would decrease or increase the fair value of our fixed rate debt by approximately $40 million or $42 million, respectively. Any changes in interest rates do not impact cash outflows associated with fixed rate interest payments or settlement of debt principal, unless a debt instrument is repurchased prior to maturity.

***Interest Paid***

The total amount of interest paid on all credit facilities, including facility fees, during the year ended December 31, 2018 was $42.7 million (2017: $18.8 million, 2016: $15.8 million).

**Note 9. Cash 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. The following table details the distributions declared and/or paid for the periods presented:

| Period | Record Date | Distribution Date | Distribution per Common and Subordinated Unit |
|---|---|---|---|
| Second Quarter 2017[1] | August 4, 2017 | August 14, 2017 | $ 0.2703 |
| Third Quarter 2017 | November 3, 2017 | November 13, 2017 | $ 0.3107 |
| Fourth Quarter 2017 | February 2, 2018 | February 13, 2018 | $ 0.3218 |
| First Quarter 2018 | May 4, 2018 | May 14, 2018 | $ 0.3333 |
| Second Quarter 2018 | August 2, 2018 | August 13, 2018 | $ 0.3452 |
| Third Quarter 2018 | November 5, 2018 | November 13, 2018 | $ 0.3575 |
| Fourth Quarter 2018[2] | February 4, 2019 | February 13, 2019 | $ 0.3701 |
| First Quarter 2019[2] | May 3, 2019 | May 14, 2019 | $ 0.3833 |
| Second Quarter 2019[2] | August 5, 2019 | August 13, 2019 | $ 0.3970 |
| Third Quarter 2019[2] | November 4, 2019 | November 13, 2019 | $ 0.4112 |

(1) The distribution for the second quarter 2017 was prorated from the closing of the Partnership's IPO on April 10, 2017 and equated to the minimum quarterly distribution of $0.3000 per unit on a full quarter basis.
(2) For more information, see Note 17, Subsequent Events.

The following table details distributions paid by HIP to Hess and GIP (in millions):

| Type of Distributions | Period | Distributions to Hess Corporation | Distributions to GIP | Total Distributions |
|---|---|---|---|---|
| HIP LP Distributions | Third Quarter 2016 | $ 26.1 | $ 22.9 | $ 49.0 |
| HIP LP Distributions | Second Quarter 2017 | $ 27.1 | $ 22.9 | $ 50.0 |
| HIP LP Distributions | Third Quarter 2017 | $ 25.0 | $ 25.0 | $ 50.0 |
| HIP LP Distributions | Fourth Quarter 2018 | $ 160.0 | $ 162.0 | $ 322.0 |

In the second quarter of 2017, we also made a special distribution of $349.5 million, distributed 50/50 to Hess and GIP from the proceeds of the Partnership's initial public offering.

**Note 10. Unit-Based Compensation**

In 2017, the Partnership 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.

Under the LTIP, we granted awards of phantom units with distribution equivalent rights to certain officers, employees and directors. These phantom units and distribution equivalent rights vest ratably over a three-year period for officers and employees, and vest after one year for directors. Each phantom unit represents the right to receive one of our common units upon vesting (or an equivalent amount of cash). Cash distributions on the phantom units accumulate and are 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 year ended December 31, 2018 was as follows:

| | Number of Units | Weighted Average Award Date Fair Value |
|---|---|---|
| Outstanding and unvested units at December 31, 2017 | 44,127 | $ 22.85 |
| Granted | 90,594 | 20.51 |
| Forfeited | (3,107) | 21.73 |
| Vested | (17,377) | 22.63 |
| Outstanding and unvested units at December 31, 2018 | 114,237 | $ 21.06 |

| (in millions) | 2018 | 2017 | 2016 |
|---|---|---|---|
| Fair value of units granted | $ 1.9 | $ 1.0 | * |
| Fair value of units vested | $ 0.4 | $ - | * |

* *Information is not applicable for the period prior to the Partnership's IPO on April 10, 2017.*

During the year ended December 31, 2018, we recognized compensation expense related to the outstanding awards of $0.9 million (2017: $0.2 million, 2016: zero). As of December 31, 2018, $1.6 million of compensation cost related to our unvested phantom units awarded under the LTIP remains to be recognized over an expected weighted-average period of 1.9 years.

**Note 11. 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.

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) | Year Ended December 31, 2018 | December 31, 2017 |
|---|---|---|
| Net income | $ 325.5 | $ 242.0 |
| Less: Net income (loss) attributable to net parent investment | (46.8) | 25.4 |
| Less: Net income attributable to noncontrolling interest | 301.5 | 175.4 |
| Net income attributable to Hess Midstream Partners LP | 70.8 | 41.2 |
| Less: General partner interest in net income attributable to Hess Midstream Partners LP | 1.7 | 0.8 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 69.1 | $ 40.4 |
| Common unitholders' interest in net income attributable to Hess Midstream Partners LP | $ 34.6 | $ 20.2 |
| Subordinated unitholders' interest in net income attributable to Hess Midstream Partners LP | $ 34.5 | $ 20.2 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit: | | |
| Common (basic and diluted) | $ 1.27 | $ 0.75 |
| Subordinated (basic and diluted) | $ 1.27 | $ 0.75 |
| Weighted average number of limited partner units outstanding: | | |
| Basic: | | |
| Common | 27.3 | 26.9 |
| Subordinated | 27.3 | 26.9 |
| Diluted: | | |
| Common | 27.4 | 26.9 |
| Subordinated | 27.3 | 26.9 |

**Note 12. Concentration of Credit Risk**

Hess represented approximately 100% of our total revenues and accounts receivable for the years ended December 31, 2018, 2017 and 2016.

**Note 13. Commitments and Contingencies**

***Environmental Contingencies***

The Partnership is subject to federal, state and local laws and regulations relating to the environment. As of December 31, 2018, our reserve for estimated remediation liabilities included in Accrued liabilities and Other noncurrent liabilities was $0.6 million and $2.0 million, respectively, and $1.0 million and $2.4 million, respectively, as of December 31, 2017.

***Legal Proceedings***

As of December 31, 2018 and 2017, we did not have material 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.

***Lease and Purchase Obligations***

We enter into certain lease and purchase commitments in connection with ongoing business activities. As of December 31, 2018, we have future minimum lease payments of $0.2 million for the year ended December 31, 2019 and $0.3 million for the years thereafter. In addition, as of December 31, 2018, we have unconditional purchase commitments of $12.7 million for the year ending December 31, 2019 and none for the years thereafter.

**Note 14. 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.

***Gathering.*** Our gathering segment consists of 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, Little Missouri 4 gas processing plant, when completed, 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 was placed into service during the fourth quarter of 2017.
- *Produced Water Gathering and Disposal.* A produced water gathering system located primarily in Williams and Mountrail Counties, North Dakota.

***Processing and Storage.*** Our processing and storage segment consists of the following assets:

- *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.
- *Equity Investment in Little Missouri 4 (LM4) Joint Venture.* A 50% equity method investment in LM4 joint venture that owns a natural gas processing plant located in McKenzie County, North Dakota, which was still under construction as of December 31, 2018.

***Terminaling and Export.*** Our terminaling and export segment consists 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.

The following tables reflect certain financial data for each reportable segment. The acquisition of Hess Infrastructure Partners, which included Hess Water Services caused a change in composition of reportable segments and, as a result, the corresponding items of segment information for earlier periods have been restated.

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2018** | | | | | |
| Revenues and other income | $ 375.2 | $ 251.4 | $ 86.1 | $ - | $ 712.7 |
| Net income (loss) | 199.6 | 148.8 | 36.1 | (59.0) | 325.5 |
| Net income (loss) attributable to Hess Midstream Partners LP | 38.4 | 30.7 | 7.3 | (5.6) | 70.8 |
| Depreciation expense | 67.2 | 43.9 | 15.8 | - | 126.9 |
| Interest expense, net | - | - | - | 53.3 | 53.3 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Adjusted EBITDA | 266.8 | 192.7 | 51.9 | (6.3) | 505.1 |
| Capital expenditures | 257.0 | 10.0 | 4.3 | - | 271.3 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2017** | | | | | |
| Revenues and other income | $ 285.5 | $ 227.3 | $ 66.7 | $ - | $ 579.5 |
| Net income (loss) | 132.1 | 123.8 | 14.4 | (28.3) | 242.0 |
| Net income (loss) attributable to Hess Midstream Partners LP | 23.3 | 18.8 | 2.4 | (3.3) | 41.2 |
| Depreciation expense | 57.8 | 43.6 | 15.1 | - | 116.5 |
| Interest expense, net | - | - | - | 25.8 | 25.8 |
| Gain on sale of property, plant and equipment | - | - | - | 4.7 | 4.7 |
| Adjusted EBITDA | 189.9 | 167.4 | 29.5 | (7.2) | 379.6 |
| Capital expenditures | 77.8 | 15.9 | 24.6 | - | 118.3 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2016** | | | | | |
| Revenues and other income | $ 212.8 | $ 196.7 | $ 100.3 | $ 0.2 | $ 510.0 |
| Net income (loss) | 56.6 | 92.7 | 16.7 | (84.4) | 81.6 |
| Net income (loss) attributable to Hess Midstream Partners LP | 96.9 | 92.7 | 16.7 | (1.4) | 204.9 |
| Depreciation expense | 42.7 | 44.0 | 15.8 | 3.3 | 105.8 |
| Impairment loss | - | - | - | 66.7 | 66.7 |
| Interest expense, net | - | - | - | 18.7 | 18.7 |
| Adjusted EBITDA | 99.3 | 136.7 | 32.5 | 4.3 | 272.8 |
| Capital expenditures | 216.2 | 35.4 | 21.2 | - | 272.8 |

Total assets for the reportable segments are as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Gathering | $ 1,544.0 | $ 1,351.5 |
| Processing and Storage(1) | 1,008.6 | 972.6 |
| Terminaling and Export | 320.2 | 330.1 |
| Interest and Other | 118.4 | 368.2 |
| Total assets | $ 2,991.2 | $ 3,022.4 |

(1) Includes $67.3 million of investment in equity method investees

**Note 15. Financial Risk Management Activities**

In the normal course of our business, we are exposed to market risks related to changes in interest rates. Financial risk management activities include transactions designed to reduce risk by reducing our exposure to interest rate movements. Interest rate swaps may be used to convert interest payments on certain long-term debt from floating to fixed rates.

As of December 31, 2018 and 2017, there were no outstanding interest rate swaps designated as cash flow hedges. During 2017, HIP entered into interest rate swaps with gross notional amounts totaling $552.5 million to convert interest payments on certain long-term debt from floating to fixed rates before settling these instruments as part of the refinancing that occurred later in the year. See Note 8, Debt and Interest Expense. In 2017, the change in fair value of interest rate swaps was an increase to assets of $3.3 million and the cash settlement was $3.1 million. At December 31, 2018, deferred income in Accumulated other comprehensive income in connection with the settled instruments was $1.2 million, of which $0.8 million will be reclassified into earnings during the next 12 months.

**Note 16. Income Taxes**

Prior to the Restructuring Transaction on December 16, 2019 (see Note 17, Subsequent Events), we were not a separate taxable entity for U.S. Federal and state income tax purposes; therefore, we did not provide for income tax benefit or expense. Each partner was subject to income taxes on its share of the partnership's earnings.

On March 1, 2019, Hess Infrastructure Partners acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it were a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. All of the income before income taxes for the years presented was earned in the United States.

The difference between the effective income tax rate and the U.S. statutory rate is reconciled below:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| U.S. statutory rate | 21.0 % | 35.0 % | 35.0 % |
| State income taxes, net of federal income tax | 3.7 | 2.6 | 2.6 |
| Change in enacted tax laws | - | (25.7) | - |
| Valuation allowance | (24.7) | (11.9) | (37.6) |
| Effective rate | - % | - % | - % |

The components of deferred tax assets and liabilities for Hess Water Services are as follows:

| (in millions) | December 31, 2018 | 2017 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Property, plant and equipment | $ 10.7 | $ 9.5 |
| **Total deferred tax liabilities** | 10.7 | 9.5 |
| **Deferred tax assets** | | |
| Net operating loss carryforwards | 16.9 | 17.5 |
| Asset retirement obligations | 0.2 | 0.1 |
| **Total deferred tax assets** | 17.1 | 17.6 |
| Valuation allowance | (6.4) | (8.1) |
| **Total deferred tax assets, net of valuation allowance** | 10.7 | 9.5 |
| **Net deferred tax assets (liabilities)** | $ - | $ - |

The net accounting losses and deferred tax position presented in the table above represent the results of Hess Water Services as if it were a stand-alone entity since 2016. The related activity was included in Hess's federal and state income tax returns and the related attributes are not available on income tax filings of HIP LP and it partners. Hess Water Services is in a three-year cumulative loss position at the end of 2018 and 2017, which constitutes objective negative evidence to which accounting standards require we assign significant weight relative to subjective estimates, such as income projections. As a result, a full valuation allowance is maintained against net deferred tax assets of Hess Water Services.

Subsequent to the Restructuring Transaction on December 16, 2019, Hess Midstream LP, which is taxed as a corporation for U.S. federal and state income tax purposes, became a partial owner of HESM. Hess Midstream LP will provide income tax expense or benefit on its allocable share of HESM income or loss for periods subsequent to the Restructuring Transaction.

**Note 17. Subsequent Events**

On January 24, 2019, the board of directors of our general partner declared a quarterly cash distribution of $0.3701 per common and subordinated unit for the quarter ended December 31, 2018, an increase of 15% compared with the quarter ended December 31, 2017. The distribution was paid on February 13, 2019 to unitholders of record as of the close of business on February 4, 2019.

On March 1, 2019, HIP acquired Hess's existing Bakken water services business for $225 million in cash. The transaction was accounted for as a business combination of entities under common control with retrospective recast of the previously reported financial information (see Note 3, Acquisitions). In connection with this acquisition, we entered into long-term fee-based water services agreements with certain subsidiaries of Hess effective January 1, 2019, under which we provide produced water gathering and disposal services to Hess and Hess is obligated to provide us with minimum volumes based on dedicated production. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually. The initial term for the water services agreements is 14 years and we have the unilateral right to extend these agreements for one additional 10 year term.

On March 22, 2019, we acquired 100% of the membership interest in Tioga Midstream Partners LLC from Summit Midstream Partners, LP that owns oil, gas, and water gathering assets (the "Tioga System Acquisition"). The transaction was accounted for as an asset acquisition. The Tioga System, located in Williams County in western North Dakota, is complementary to our infrastructure, and is currently delivering volumes into our gathering system. We paid $89.2 million in cash at closing, net of cash acquired, and recognized a contingent liability for additional potential payments of $10 million in future periods subject to certain performance metrics. We funded the purchase price through a combination of cash on hand and borrowings under our revolving credit facility.

On April 25, 2019, the board of directors of our general partner declared a quarterly cash distribution of $0.3833 per common and subordinated unit for the quarter ended March 31, 2019, an increase of 15% compared with the quarter ended March 31, 2018. The distribution was paid on May 14, 2019, to unitholders of record as of the close of business on May 3, 2019.

On July 25, 2019, the board of directors of our general partner declared a quarterly cash distribution of $0.3970 per common and subordinated unit for the quarter ended June 30, 2019, an increase of 15% compared with the quarter ended June 30, 2018. The distribution was paid on August 13, 2019, to unitholders of record as of the close of business on August 5, 2019.

In July 2019, the operator, Targa Resources Corp., completed construction of LM4 and introduced first gas into the plant.

On October 4, 2019, HESM announced execution of a definitive agreement to acquire HIP, including HIP's 80% interest in the Joint Interest Assets, and 100% interest in HIP's water services business, and outstanding economic general partner interest and incentive distribution rights in HESM. As consideration for the acquisition of Hess and GIP's ownership interests in HIP, HESM will assume approximately $1.15 billion of HIP's existing debt, will issue approximately 230 million limited partner units in HESM and pay a cash consideration of approximately $550 million to Hess and GIP, collectively.

Under the proposed transaction, HESM's organizational structure will be converted into an "Up-C" structure in which incentive distribution right payments to sponsors are eliminated. Public unitholders will receive newly issued securities in a new public entity to be named "Hess Midstream LP" that will be taxed as a corporation for U.S. federal and state income tax purposes. In connection with the proposed transaction, HESM will own 100% of the underlying assets and be consolidated under Hess Midstream LP. HESM's existing public unitholders will receive one class A share representing a limited partner interest in Hess Midstream LP for each HESM common unit they own. Hess and GIP's ownership will be primarily through class B units of HESM that are exchangeable into class A shares of Hess Midstream LP on a one-for-one basis. Following the transaction, public shareholders will own 6% of the consolidated entity and Hess and GIP will each own 47% of the consolidated entity on an as-exchanged basis.

In conjunction with the proposed transaction, approximately $355 million in existing borrowings under HIP's credit facilities will be retired and HESM will assume approximately $800 million principal amount of HIP's outstanding senior notes in exchange for the issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. On October 4, 2019, HESM commenced the offer to exchange HIP notes for new notes to be issued by HESM and, on November 27, 2019, HESM announced that 97.14% of the aggregate principal amount of HIP's notes have been validly tendered and not validly withdrawn pursuant to the exchange offer. HESM expects to pay a consent payment of approximately $2.0 million on the settlement date. In addition, HESM expects to incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction.

The proposed transaction has been unanimously approved by the HESM Board and by a conflicts committee of the HESM Board comprised of independent directors. The transaction was closed on December 16, 2019. The transaction was treated for accounting purposes as a reorganization of entities under common control and recorded at the historical carrying values of the assets, liabilities and equity interests of the parties to the transaction. As part of the supplemental consolidated combined financial statements, following the closing of the transaction, historical financial statements of HESM have been retrospectively recast to include the historical results of HIP.

On October 24, 2019, the board of directors of our general partner declared a quarterly cash distribution of $0.4112 per common and subordinated unit for the quarter ended September 30, 2019, an increase of 15% compared with the quarter ended September 30, 2018. The distribution was paid on November 13, 2019, to unitholders of record as of the close of business on November 4, 2019.

On November 25, 2019, HESM announced that it has upsized and priced $550 million in aggregate principal amount of 5.125% senior notes due 2028 at par in a private offering. HESM used the net proceeds from the offering to finance the acquisition of HIP, as described above, including to repay borrowings under HIP's credit facilities, partially fund the distribution to HIP's sponsors, and pay related fees and expenses. The private offering of the notes was closed on December 10, 2019.

**Supplemental Quarterly Financial Information (Unaudited)**

| (in millions, except per unit amounts) | 2018 First Quarter | 2018 Second Quarter | 2018 Third Quarter | 2018 Fourth Quarter |
|---|---|---|---|---|
| Revenues and other income | $ 166.5 | $ 176.5 | $ 183.8 | $ 185.9 |
| Income from operations | $ 90.8 | $ 96.3 | $ 99.0 | $ 92.1 |
| Net income | $ 77.7 | $ 82.8 | $ 86.1 | $ 78.9 |
| Net income attributable to Hess Midstream Partners LP | $ 17.0 | $ 17.8 | $ 18.8 | $ 17.2 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | | |
| Common | $ 0.30 | $ 0.32 | $ 0.34 | $ 0.31 |
| Subordinated | $ 0.30 | $ 0.32 | $ 0.34 | $ 0.31 |

| (in millions, except per unit amounts) | 2017 First Quarter | 2017 Second Quarter | 2017 Third Quarter | 2017 Fourth Quarter |
|---|---|---|---|---|
| Revenues and other income | $ 132.3 | $ 141.2 | $ 149.8 | $ 156.2 |
| Income from operations | $ 55.4 | $ 61.9 | $ 71.9 | $ 73.9 |
| Net income | $ 50.3 | $ 55.8 | $ 65.4 | $ 70.5 |
| Net income attributable to Hess Midstream Partners LP | * | $ 11.4 | $ 15.0 | $ 14.8 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | | |
| Common | * | $ 0.21 | $ 0.27 | $ 0.26 |
| Subordinated | * | $ 0.21 | $ 0.27 | $ 0.26 |

**Information is not applicable for the pre-IPO periods.*

*Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited supplemental consolidated combined financial statements and accompanying footnotes of Hess Midstream LP included in this report.*

*Unless the context otherwise requires, references in this section to (i) "we," "us," "our" or like terms, refer to Hess Midstream Partners LP ("HESM" or the "Partnership") and its subsidiaries, (ii) "Hess Infrastructure Partners" or "HIP" refers to Hess Infrastructure Partners LP and its subsidiaries, (iii) "Hess" refers collectively to Hess Corporation and its subsidiaries, other than us; (iv) "GIP" refers to GIP II Blue Holding Partnership, LP, which owns interests in us, and the funds managed by Global Infrastructure Management, LLC, and such funds' subsidiaries and affiliates, that hold interests in GIP II Blue Holding Partnership, LP.*

***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.***

## Overview

We are a fee-based, growth-oriented company formed by Hess Infrastructure Partners to own, operate, develop and acquire a diverse set of midstream assets to provide fee-based 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.

On April 10, 2017, the Partnership completed an 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 30.5% limited partner interests in the Partnership, for net proceeds of approximately $365.5 million, after deducting the underwriters' discounts and structuring fees of $25.4 million. In connection with the IPO, HIP contributed a 20% controlling economic interest in each of Hess North Dakota Pipeline Operations LP ("Gathering Opco"), Hess TGP Operations LP ("HTGP Opco") and Hess North Dakota Export Logistics Operations LP ("Logistics Opco") (collectively, the "Joint Interest Assets"), and a 100% economic interest in Hess Mentor Storage Holdings LLC ("Mentor Holdings") to the Partnership.

On January 25, 2018, we entered into a 50/50 joint venture with Targa Resources Corp. to construct a new 200 million standard cubic feet per day (MMcf/d) gas processing plant called Little Missouri 4 ("LM4"). LM4 was placed in service in the third quarter of 2019. Targa is the operator of the plant.

On March 1, 2019, the Hess Infrastructure Partners acquired Hess's existing Bakken water services business ("Hess Water Services") for cash consideration of $225.0 million.

On March 22, 2019, we acquired the crude oil, gas and water gathering assets of Summit Midstream Partners' Tioga Gathering System for cash consideration of $89.2 million, with the potential for an additional $10.0 million of contingent payments in future periods subject to certain future performance metrics.

On April 25, 2019, we announced plans to expand natural gas processing capacity at TGP by 150 MMcf/d for total processing capacity of 400 MMcf/d for expected capital expenditures of approximately $150 million, to be in service by mid-2021.

On October 4, 2019, we announced execution of a definitive agreement to acquire Hess Infrastructure Partners, including its 80% interest in the Joint Interest Assets, 100% interest in the water services business and outstanding economic general partner interest and incentive distribution rights in the Partnership (the "Restructuring Transaction"). As consideration for the acquisition of Hess and GIP's ownership interests in Hess Infrastructure Partners, we agreed to assume approximately $1.15 billion of HIP's existing debt, issue approximately 230 million limited partner units in the Partnership and pay a cash consideration of approximately $550 million to Hess and GIP collectively.

Under the proposed transaction, HESM's organizational structure will be converted into an "Up-C" structure in which incentive distribution right payments to sponsors are eliminated. Public unitholders will receive newly issued securities in a new public entity to be named "Hess Midstream LP" that will be taxed as a corporation for U.S. federal and state income tax purposes. In connection with the proposed transaction, HESM will own 100% of the underlying assets and be consolidated under Hess Midstream LP. HESM's existing public unitholders will receive one class A share representing a limited partner interest in Hess Midstream LP for each HESM common unit they own. Hess and GIP's ownership will be primarily through class B units of HESM that are exchangeable into class A shares of Hess Midstream LP on a one-for-one basis. Following the transaction, public shareholders will own 6% of the consolidated entity and Hess and GIP will each own 47% of the consolidated entity on an as-exchanged basis.

In conjunction with the proposed transaction, approximately $355 million in existing borrowings under HIP's credit facilities will be retired and HESM will assume approximately $800 million of HIP's outstanding notes in exchange for the issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. On October 4, 2019, HESM commenced the offer to exchange HIP notes for new notes to be issued by HESM and, on November 27, 2019, HESM announced that 97.14% of the aggregate principal amount of HIP's notes have been validly tendered and not validly withdrawn pursuant to the exchange offer. The Partnership expects to pay a consent payment of approximately $2.0 million on the settlement date. In addition, the Partnership expects to incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction.

The proposed transaction has been unanimously approved by the board of directors of Hess Midstream Partners GP LLC, the general partner of the general partner of the Partnership, and a conflicts committee thereof comprised of independent directors. The transaction was closed on December 16, 2019. The transaction was treated for accounting purposes as a reorganization of entities under common control and recorded at the historical carrying values of the assets, liabilities and equity interests of the parties to the transaction. As part of the supplemental consolidated combined financial statements, following the closing of the transaction, historical financial statements of HESM have been retrospectively recast to include the historical results of HIP.

On November 25, 2019, HESM announced that it has upsized and priced $550 million in aggregate principal amount of 5.125% senior notes due 2028 at par in a private offering. HESM used the net proceeds from the offering to finance the acquisition of HIP, as described above, including to repay borrowings under HIP's credit facilities, partially fund the distribution to HIP's sponsors, and pay related fees and expenses. The private offering of the notes was closed on December 10, 2019.

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 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, LM4 gas processing plant, and third-party pipeline facilities. The system also includes the Hawkeye Gas Facility that was placed in service in 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 was placed in service in the fourth quarter of 2017.
- *Produced Water Gathering and Disposal.* A produced water gathering system located primarily in Williams and Mountrail Counties, North Dakota.

***Processing and Storage.*** Our processing and storage segment includes HTGP Opco and Mentor Holdings, which own the following assets, respectively:

- *Tioga Gas Plant (TGP).* A natural gas processing and fractionation plant located in Tioga, North Dakota.
- *Equity Investment in Little Missouri 4 Joint Venture.* A 50% equity method investment in LM4 joint venture that owns natural gas processing plant located in McKenzie County, North Dakota that was placed in service in the third quarter of 2019.
- *Mentor Storage Terminal.* A propane storage cavern and rail and truck loading and unloading facility located in Mentor, Minnesota.

***Terminaling and Export.*** Our terminaling and export segment includes 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.

### Significant 2018 Financial and Operating Results

Significant financial and operating results for the year ended December 31, 2018 include:

- Net income of $325.5 million, of which $70.8 million is attributable to the Partnership;
- Net cash provided by operating activities of $466.9 million;
- Adjusted EBITDA of $505.1 million;
- Compared with the prior year, throughput volumes increased 56% for water gathering, 46% for crude oil terminaling, 39% for crude oil gathering, 17% for gas processing, and 16% for gas gathering driven by Hess's growing production, capturing additional third-party customer volumes, and continued strong operating performance of our assets;
- Deployed $331.2 million in capital during 2018 toward expanding gathering and compression capacity to support Hess and third-party volume growth and advancing the LM4 gas processing plant project.

For additional information regarding our non-GAAP financial measures, see How We Evaluate Our Operations 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; storing and terminaling propane; and gathering and disposing of produced water. We have entered into long-term, fee-based commercial agreements with Hess dated effective January 1, 2014 for oil and gas services agreements, and effective January 1, 2019 for water services agreements. In addition, in 2018, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed.

Except for the water services agreements and except for a certain gathering sub-system, as described below, each of our commercial agreements with Hess has an initial 10-year term and we have the unilateral right to renew each of these agreements for one additional 10-year term. Initial term for the water services agreements is 14 years and the secondary term is 10 years. In September 2018, we amended our gas gathering and gas processing and fractionation agreements to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. The amended and restated gas gathering agreement also extends the initial term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year initial term and decreases the secondary term for that gathering sub-system by 5 years to provide for a 5-year secondary 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, produced water trucking and disposal costs and electricity fees for which we recognize revenues in an amount equal to the costs. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

### 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, and (iii) Adjusted EBITDA.

***Volumes.*** The amount of revenues we generate primarily depends on the volumes of crude oil, natural gas, NGLs and produced water 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; 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.*** We define Adjusted EBITDA as net income (loss) before net 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 noncontrolling interests in our Joint Interest Assets.

Adjusted EBITDA is a non-GAAP supplemental financial measure that management and external users of our supplemental consolidated combined financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to those of other companies in the midstream business, without regard to financing methods, historical cost basis or capital structure;
- the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- 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 provides useful information to investors in assessing our financial condition and results of operations. Adjusted EBITDA should not be considered as an alternative 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 has important limitations as an analytical tool because it excludes some but not all items that affect net income and net cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents a reconciliation of Adjusted EBITDA to net income and net cash provided by operating activities, the most directly comparable GAAP financial measures.

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 (1) | 2017 (1) | 2016 (1) |
| Reconciliation of Adjusted EBITDA to net income: | | | |
| Net income | $ 325.5 | $ 242.0 | $ 81.6 |
| Plus: | | | |
| Depreciation expense | 126.9 | 116.5 | 105.8 |
| Interest expense, net | 53.3 | 25.8 | 18.7 |
| Impairment loss | - | - | 66.7 |
| Less: | | | |
| Gain on sale of property, plant and equipment | 0.6 | 4.7 | - |
| Adjusted EBITDA | $ 505.1 | $ 379.6 | $ 272.8 |
| | | | |
| Reconciliation of Adjusted EBITDA to net cash provided by operating activities: | | | |
| Net cash provided by operating activities | $ 466.9 | $ 336.5 | $ 247.5 |
| Changes in assets and liabilities | (9.6) | 19.6 | 10.0 |
| Amortization of deferred financing costs | (5.0) | (3.8) | (3.4) |
| Unit-based compensation | (0.9) | (0.2) | - |
| Gain on cash flow hedges reclassified to income | 0.4 | 1.7 | - |
| Interest expense, net | 53.3 | 25.8 | 18.7 |
| Adjusted EBITDA | $ 505.1 | $ 379.6 | $ 272.8 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructures LP. See Note 1 to the accompanying Supplemental Consolidated Combined Financial Statements.

## Results of Operations

Results of operations for the year ended December 31, 2018, 2017 and 2016 are presented below. The financial information presented has been retrospectively adjusted for acquisition of Hess Infrastructure Partners LP. See Note 1 to the accompanying Supplemental Consolidated Combined Financial Statements. The results of operations are discussed in further detail following this overview (in millions, unless otherwise noted).

| For the Year Ended December 31, 2018 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues and other income | | | | | |
| Affiliate services | $ 375.2 | $ 251.4 | $ 85.4 | $ - | $ 712.0 |
| Other income | - | - | 0.7 | - | 0.7 |
| Total revenues and other income | 375.2 | 251.4 | 86.1 | - | 712.7 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 103.5 | 56.1 | 33.9 | - | 193.5 |
| Depreciation expense | 67.2 | 43.9 | 15.8 | - | 126.9 |
| General and administrative expenses | 4.9 | 2.6 | 0.3 | 6.3 | 14.1 |
| Total costs and expenses | 175.6 | 102.6 | 50.0 | 6.3 | 334.5 |
| Income (loss) from operations | 199.6 | 148.8 | 36.1 | (6.3) | 378.2 |
| Interest expense, net | - | - | - | 53.3 | 53.3 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Net income (loss) | 199.6 | 148.8 | 36.1 | (59.0) | 325.5 |
| Less: net income (loss) attributable to net parent investment | 6.6 | - | - | (53.4) | (46.8) |
| Less: net income (loss) attributable to noncontrolling interest | 154.6 | 118.1 | 28.8 | - | 301.5 |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 38.4 | $ 30.7 | $ 7.3 | $ (5.6) | $ 70.8 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 248 | | | | 248 |
| Crude oil gathering (MBbl/d)(2) | 89 | | | | 89 |
| Gas processing (MMcf/d)(1) | | 233 | | | 233 |
| Crude terminals (MBbl/d)(2) | | | 101 | | 101 |
| NGL loading (MBbl/d)(2) | | | 14 | | 14 |
| Water gathering (MBbl/d)(2) | 25 | | | | 25 |

(1) Million cubic feet per day

(2) Thousand barrels per day

| For the Year Ended December 31, 2017 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues and other income | | | | | |
| Affiliate services | $ 285.5 | $ 227.3 | $ 66.7 | $ - | $ 579.5 |
| Total revenues and other income | 285.5 | 227.3 | 66.7 | - | 579.5 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 91.2 | 58.5 | 36.3 | - | 186.0 |
| Depreciation expense | 57.8 | 43.6 | 15.1 | - | 116.5 |
| General and administrative expenses | 4.4 | 1.4 | 0.9 | 7.2 | 13.9 |
| Total costs and expenses | 153.4 | 103.5 | 52.3 | 7.2 | 316.4 |
| Income (loss) from operations | 132.1 | 123.8 | 14.4 | (7.2) | 263.1 |
| Interest expense, net | - | - | - | 25.8 | 25.8 |
| Gain on sale of property, plant and equipment | - | - | - | 4.7 | 4.7 |
| Net income (loss) | 132.1 | 123.8 | 14.4 | (28.3) | 242.0 |
| Less: net income (loss) attributable to net parent investment | 16.4 | 31.7 | 2.3 | (25.0) | 25.4 |
| Less: net income (loss) attributable to noncontrolling interest | 92.4 | 73.3 | 9.7 | - | 175.4 |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 23.3 | $ 18.8 | $ 2.4 | $ (3.3) | $ 41.2 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 213 | | | | 213 |
| Crude oil gathering (MBbl/d)(2) | 64 | | | | 64 |
| Gas processing (MMcf/d)(1) | | 200 | | | 200 |
| Crude terminals (MBbl/d)(2) | | | 69 | | 69 |
| NGL loading (MBbl/d)(2) | | | 12 | | 12 |
| Water gathering (MBbl/d)(2) | 16 | | | | 16 |

(1) Million cubic feet per day

(2) Thousand barrels per day

| For the Year Ended December 31, 2016 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues and other income | | | | | |
| Affiliate services | $ 212.8 | $ 196.7 | $ 100.3 | $ 0.2 | $ 510.0 |
| Total revenues and other income | 212.8 | 196.7 | 100.3 | 0.2 | 510.0 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 105.2 | 58.2 | 66.5 | (10.1) | 219.8 |
| Depreciation expense | 42.7 | 44.0 | 15.8 | 3.3 | 105.8 |
| Impairment loss | - | - | - | 66.7 | 66.7 |
| General and administrative expenses | 8.3 | 1.8 | 1.3 | 6.0 | 17.4 |
| Total costs and expenses | 156.2 | 104.0 | 83.6 | 65.9 | 409.7 |
| Income (loss) from operations | 56.6 | 92.7 | 16.7 | (65.7) | 100.3 |
| Interest expense, net | - | - | - | 18.7 | 18.7 |
| Net income (loss) | 56.6 | 92.7 | 16.7 | (84.4) | 81.6 |
| Less: net income (loss) attributable to net parent investment | (40.3) | - | - | (83.0) | (123.3) |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 96.9 | $ 92.7 | $ 16.7 | $ (1.4) | $ 204.9 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 202 | | | | 202 |
| Crude oil gathering (MBbl/d)(2) | 57 | | | | 57 |
| Gas processing (MMcf/d)(1) | | 188 | | | 188 |
| Crude terminals (MBbl/d)(2) | | | 59 | | 59 |
| NGL loading (MBbl/d)(2) | | | 13 | | 13 |

(1) Million cubic feet per day

(2) Thousand barrels per day

***Year Ended December 31, 2018 Compared to Year Ended December 31, 2017***

***Gathering***

Revenues increased $89.7 million in 2018 compared to 2017, of which $36.4 million is attributable to higher produced water trucking and disposal pass-through revenues and produced water gathering volumes driven by growing Hess production. In addition, $28.3 million is attributable to higher gas gathering and compression volumes driven by growing Hess production and additional third-party volumes contracted with Hess and delivered to us, and $20.4 million of the increase is attributable to higher crude oil gathering volumes also driven by growing Hess production and increased minimum volume commitments. The remaining $4.6 million of the increase is attributable to higher crude oil gathering tariff rates and pass-through electricity fees. Operating and maintenance expenses increased $12.3 million primarily attributable to higher produced water trucking and disposal costs driven by growing Hess production. Depreciation expense increased $9.4 million primarily due to a full year of depreciation of the Hawkeye Oil and Gas Facilities in 2018 compared to 2017 and additional new assets being brought into service in 2018. The change in general and administrative expenses was insignificant year over year.

***Processing and Storage***

Revenues increased $24.1 million in 2018 compared to 2017, of which $21.9 million of the increase is attributable to higher volumes processed through the Tioga Gas Plant, driven by growing Hess production and additional third-party volumes contracted with Hess and delivered to us. The remaining $2.2 million of the increase is primarily attributable to higher pass-through electricity fees in 2018 compared to 2017. Operating and maintenance expenses decreased $2.4 million primarily attributable to lower charges from Hess under our Omnibus Agreement and Employee Secondment Agreement. General and administrative expenses increased $1.2 million primarily attributable to professional fees related to the LM4 transaction. Depreciation expense remained relatively flat year over year.

***Terminaling and Export***

Revenues increased $19.4 million in 2018 compared to 2017, of which $11.7 million is attributable to higher crude oil throughput volumes at our terminals, driven by completion of the Johnson's Corner Header System in the second half of 2017, growing Hess production and increased third-party volumes contracted with Hess and delivered to us. In addition, $5.4 million of the increase is attributable to higher tariff rates in 2018 compared to 2017, $1.9 million is attributable to higher NGL volumes and $0.7 million of the increase is attributable to other income. These increases were partially offset by $0.3 million lower rail transportation pass-through revenue. Operating and maintenance expenses decreased $2.4 million primarily attributable to lower charges from Hess under our Omnibus Agreement and Employee Secondment Agreement. The change in Depreciation expense and general and administrative expenses was insignificant year over year.

***Interest and Other***

General and administrative expenses decreased $0.9 million in 2018 compared to 2017, of which $1.8 million is attributable to fees incurred in 2017 related to HESM IPO and issuance of HIP fixed-rate senior notes, and $1.3 million of the decrease is attributable to rail car storage fees incurred in 2017. These decreases were partially offset by $2.2 million increase in HESM public company costs as a result of being a public company for the full year 2018 when compared to 2017. Interest expense, net of interest income increased $27.5 million, driven by the issuance of HIP fixed-rate senior notes in the fourth quarter of 2017. In 2018, we sold the remaining 105 older specification rail cars and recognized a gain of $0.6 million. As of December 31, 2018, we do not have any older specification rail cars in our fleet.

***Year Ended December 31, 2017 Compared to Year Ended December 31, 2016***

***Gathering***

Revenues increased $72.7 million in 2017 compared to 2016, of which $26.5 million of the increase is attributable to higher shortfall fees related to minimum volume commitments recognized in revenue in 2017 and $19.2 million is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. In addition, $13.9 million of the increase is attributable to produced water gathering revenue in 2017 compared to no produced water gathering revenue in 2016. Furthermore, $9.0 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. The remaining increase in revenue of $4.1 million is attributable to higher crude oil gathering volumes through more well connects and commissioning of the Hawkeye Oil Facility. Operating and maintenance expenses decreased $14.0 million, of which $8.9 million is attributable to lower produced water trucking and disposal costs driven by lower production in high water cut areas. In addition, $4.5 million of the decrease is attributable to lower allocations to us from Hess and $3.3 million of the decrease is attributable to lower maintenance activity, partially offset by $2.7 million attributable to higher property tax and insurance expense for new assets in service. Depreciation expense increased $15.1 million primarily due to the Hawkeye Gas Facility, Hawkeye Oil Facility and other gathering assets being brought into service in 2017. General and administrative expenses decreased $3.9 million primarily due to lower allocations to us from Hess.

***Processing and Storage***

Revenues increased $30.6 million in 2017 compared to 2016, of which $11.1 million of the increase is attributable to higher volumes processed through the Tioga Gas Plant, driven by the completion of the Hawkeye Gas Facility in 2017 and additional third-party volumes contracted with Hess and delivered to us and $10.6 million is attributable to higher tariff rates and pass-through electricity fees in 2017 compared to 2016. In addition, $8.2 million of the increase is attributable to higher shortfall fees related to minimum volume commitments recognized in revenue in 2017. The remaining increase in revenue of $0.7 million is attributable to higher NGL loading volumes. Operating and maintenance expenses, depreciation expense and general and administrative expenses remained relatively flat year over year.

***Terminaling and Export***

Revenues decreased $33.6 million in 2017 compared to 2016, of which $18.0 million of the decrease is attributable to lower tariff rates in 2017 compared to 2016 and $14.7 million is attributable to reduced use of rail transportation and, as a result, lower rail transportation pass-through revenues. In addition, $9.5 million of the decrease is attributable to lower shortfall fees related to minimum volume commitments recognized revenue in 2017 compared to 2016 due to a reset of the minimum volume commitments at the end of 2016 as a result of restructuring of our terminal and export services agreement. These decreases were offset by $8.6 million attributable to higher throughput volumes at our terminals, driven by the 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 $30.2 million of which $14.7 million is attributable to lower rail transportation costs due to lower rail export volumes, $10.3 million is attributable to cancellation of the lease agreement for the older specification rail cars at the end of 2016, $3.7 million primarily attributable to lower rail car repair and crude loading costs, and $1.5 million attributable to lower allocations to us from Hess. Depreciation expense and general and administrative expenses remained relatively flat year over year.

***Interest and Other***

Changes in operating and maintenance expenses relate to the older specification rail cars, for which the lease agreement between Logistics Opco and Hess Tank Cars LLC was cancelled at the end of 2016. In addition, we impaired the older specification rail cars at the end of 2016 to their salvage value and stopped recording depreciation on them. In 2017, we sold 851 of the 956 older specification rail cars and recognized a gain of $4.7 million. General and administrative expenses increased $1.2 million primarily related to HESM incremental expenses as a result of being a separate publicly traded partnership. Interest expense, net increased $7.1 million, driven by the issuance of HIP fixed-rate senior notes and increased utilization on our credit facilities, partially offset by $1.7 million gain on interest rate swaps and $0.6 million interest income.

## Other Factors Expected to Significantly Affect Our Future Results

We currently generate substantially all of our revenues under fee-based commercial 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 2017, Hess increased its rig count in the Bakken to four rigs and increased its rig count to six rigs in the second half of 2018. 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.

## Capital Resources and Liquidity

We expect our ongoing sources of liquidity to include:

- cash on hand;
- cash generated from operations;
- borrowings under our revolving credit facilities;
- 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, debt service requirements, our cash distributions, future internal growth projects or potential acquisitions.

The HESM Partnership Agreement requires that we distribute all of HESM's available cash to its unitholders. Subsequent to December 31, 2018, we declared and paid $0.3701, $0.3833, $0.3970 and $0.4112 per HESM common unit and HESM subordinated unit related to the fourth quarter of 2018, first quarter of 2019, second quarter of 2019 and third quarter of 2019 quarterly cash distributions, respectively.

***Hess Infrastructure LP Fixed-Rate Senior Notes***

In November 2017, HIP issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of HIP, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of HIP. Interest is payable semi-annually on February 15 and August 15. HIP used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At December 31, 2018, HIP had $800 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600 million 5-year revolving credit facility and a drawn $200 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund HIP's operating activities and capital expenditures. The credit facilities are guaranteed by certain of HIP's wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of HIP's and certain of its wholly owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At December 31, 2018, HIP's revolving credit facility was undrawn, and borrowings of $197.5 million, excluding deferred issuance costs, were outstanding under HIP's Term Loan A facility.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate ("LIBOR") plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. 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"). If HIP obtains an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require HIP to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of December 31, 2018, HIP was in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, HESM entered into a four-year, $300.0 million senior secured revolving credit facility that became available upon the closing of HESM's IPO on April 10, 2017. The credit facility can be used for borrowings and letters of credit to fund HESM's operating activities and capital expenditures. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on HESM's leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit facility). Facility fees accrue at 0.275% per annum and are paid quarterly. If HESM obtains credit ratings, pricing levels will be based on HESM's credit ratings in effect from time to time. HESM 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 December 31, 2018, the revolving credit facility remained undrawn. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of HESM and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. See the Overview section of this Management Discussion and Analysis of Financial Condition and Results of Operations for more details on changes in debt securities and credit facilities in conjunction with the Restructuring Transaction.

***Cash Flows***

The following table sets forth a summary of our cash flows:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 | 2017 | 2016 |
| Cash flows from operating activities | $ 466.9 | $ 336.5 | $ 247.5 |
| Cash flows from (used in) investing activities | (307.6) | (131.4) | (268.6) |
| Cash flows from (used in) financing activities | (405.7) | 148.9 | 19.5 |
| Net increase (decrease) in cash and cash equivalents | $ (246.4) | $ 354.0 | $ (1.6) |

*Operating Activities.* Cash flows provided by operating activities increased $130.4 million in 2018 compared to 2017. The change in operating cash flows resulted from an increase in revenues and other income of $133.2 million and an increase in cash provided by changes in working capital of $29.2 million, offset by an increase in expenses, other than depreciation, amortization, unit-based compensation, and other non-cash gains and losses of $32.0 million.

Cash flows provided by operating activities increased $89.0 million in 2017 compared to 2016 due to an increase in revenues of $69.5 million and a decrease in expenses, other than depreciation, amortization, gain on sale of property, plant and equipment, gain on interest rate swaps, and unit-based compensation, of $29.1 million, offset by cash used from changes in working capital of $9.6 million.

*Investing Activities.* Cash flows used in investing activities increased $176.2 million in 2018 compared to 2017, primarily due to an increase in payments for capital expenditures of $97.7 million, our investment in the LM4 joint venture of $67.3 million, and lower proceeds from sale of property, plant and equipment of $11.2 million.

Cash flows used in investing activities decreased $137.2 million in 2017 compared to 2016, due to a decrease in capital expenditures and timing of payments primarily related to projects in our gathering business, offset by $12.8 million in proceeds from sale of property, plant and equipment.

*Financing Activities*. Cash flows used in financing activities increased $554.6 million in 2018 compared to 2017. In 2018, total distributions to Hess, GIP, and HESM unitholders totaled $402.2 million. HIP also repaid $2.5 million of the Term Loan and paid $1.0 million financing costs related to its fixed-rate senior notes. In 2017, net cash proceeds driven by the use of HIP credit facilities and debt restructuring activities were $243.0 million, net proceeds retained from HESM IPO were $10.0 million, offset by distributions to Hess, GIP and HESM unitholders of $104.1 million.

Cash flows provided by financing activities increased $129.4 million in 2017 compared to 2016 driven by the changes in use of HIP credit facilities and debt restructuring activities of $215.0 million and net proceeds retained from HESM IPO of $10.0 million, partially offset by an increase in distributions to Hess, GIP and HESM unitholders of $82.7 million and a decrease in other contributions of $12.9 million.

***Capital Expenditures***

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

| (in millions) | Year Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Total capital expenditures | $ 271.3 | $ 118.3 | $ 272.8 |
| (Increase) decrease in related liabilities | (29.4) | 25.9 | (4.2) |
| Additions to property, plant and equipment | $ 241.9 | $ 144.2 | $ 268.6 |

Capital expenditures are primarily attributable to expansion of our gathering system and compression capacity to support Hess and third-party growth.

**Contractual Obligations**

A summary of our contractual obligations as of December 31, 2018, is as follows:

| (in millions) | Total | 2019 | 2020 | 2021 | 2022 | 2023 and thereafter |
|---|---|---|---|---|---|---|
| Fixed-rate senior notes | $ 800.0 | $ - | $ - | $ - | $ - | $ 800.0 |
| Term Loan A facility | 197.5 | 11.3 | 15.0 | 16.2 | 155.0 | - |
| Operating leases | 0.5 | 0.2 | 0.2 | 0.1 | - | - |
| Purchase obligations | 12.7 | 12.7 | - | - | - | - |
| Total | $ 1,010.7 | $ 24.2 | $ 15.2 | $ 16.3 | $ 155.0 | $ 800.0 |

**Off-Balance Sheet Arrangements**

We have not entered into any transactions, agreements or other contractual arrangements that would result in off-balance sheet liabilities.

## Critical Accounting Policies and Estimates

Accounting policies and estimates affect the recognition of assets and liabilities in our supplemental consolidated combined balance sheets and revenues and expenses in our supplemental consolidated combined statements of operations. The accounting methods used can affect net income, partners' capital and various financial statement ratios. However, the accounting methods generally do not change cash flows or liquidity. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our financial condition and results of operations.

### Property, Plant and Equipment

Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation, subject to the results of impairment testing. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect construction costs include general engineering, taxes and the cost of funds used during construction. Costs, including complete asset replacements and enhancements or upgrades that increase the original efficiency, productivity or capacity of property, plant and equipment, are also capitalized. The costs of repairs, minor replacements and other projects, which do not increase the original efficiency, productivity or capacity of property, plant and equipment, are expensed as incurred. The determination of cost componentization and related estimated useful lives is a significant element in arriving at the results of operations. The estimates affect depreciation expense in our accompanying supplemental consolidated combined statements of operations and balance sheets.

### Impairment of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' net book value. Undiscounted cash flows are based on identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If impairment occurs, a loss is recognized for the difference between fair value and net book value. Such fair value is generally determined by discounting anticipated future net cash flows, an income valuation approach, or by a market-based valuation approach, which are Level 3 fair value measurements. Factors that indicate potential impairment include a significant decrease in the market value of the asset, operating or cash flow losses associated with the use of the asset, and a significant change in the asset's physical condition or use. The determination of impairments could be a significant element in arriving at the results of operations. Impairment charges would impact total costs and expenses and net Property, Plant & Equipment in our accompanying supplemental consolidated combined statements of operations and balance sheets.

### Depreciation Expense

We calculate depreciation using the straight-line method based on the estimated useful lives after considering salvage values of our assets. When assets are placed into service, we make estimates with respect to their useful lives that we believe are reasonable. Depreciation lives related to our significant assets primarily range between 12 to 35 years. However, factors such as maintenance levels, economic conditions impacting the demand for these assets, and regulatory or environmental requirements could cause us to change our estimates, and impact our future calculation of depreciation. The determination of estimated useful lives is a significant element in arriving at depreciation expense. The estimates affect depreciation expense and cost componentization in our accompanying supplemental consolidated combined statements of operations and balance sheets.

### Contingencies

In the ordinary course of business, we may become party to lawsuits, administrative proceedings and governmental investigations, including environmental, regulatory and other matters. Damages or penalties may be sought from us in some matters for which the likelihood of loss may be probable or possible but the amount of loss is not currently estimable. Costs that relate to an existing condition caused by past operations are expensed. Contingent liabilities are recorded when probable and reasonably estimable. On the basis of existing information, we believe that the resolution of any such matters, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. Estimates related to contingencies, when updated, affect operating expenses in our accompanying supplemental consolidated combined statements of operations and liabilities in our balance sheets.

## 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 Term Loan A and revolving credit facilities bears interest at a variable rate, which exposes us to interest rate risk. We do not currently have in place any derivative instruments to hedge any exposure to variable interest rates.

Exhibit 99.2

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED FINANCIAL STATEMENTS**
**For the Three and Nine Months Ended September 30, 2019 and 2018**

## TABLE OF CONTENTS

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED BALANCE SHEETS**

| (in millions, except unit amounts) | September 30, 2019 (1) (unaudited) | December 31, 2018 (1) |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 7.1 | $ 109.3 |
| Accounts receivable—affiliate: | | |
| From contracts with customers | 75.8 | 67.3 |
| Other receivables | 0.1 | 0.5 |
| Other current assets | 7.7 | 3.3 |
| Total current assets | 90.7 | 180.4 |
| Equity investments | 104.9 | 67.3 |
| Property, plant and equipment, net | 2,937.8 | 2,735.3 |
| Long-term receivable—affiliate | 1.2 | 1.3 |
| Other noncurrent assets | 6.0 | 6.9 |
| Total assets | $ 3,140.6 | $ 2,991.2 |
| Liabilities | | |
| Accounts payable—trade | $ 22.8 | $ 18.6 |
| Accounts payable—affiliate | 44.5 | 15.8 |
| Accrued liabilities | 69.3 | 85.6 |
| Current maturities of long-term debt | 15.0 | 11.3 |
| Other current liabilities | 6.6 | 6.8 |
| Total current liabilities | 158.2 | 138.1 |
| Long-term debt | 1,136.6 | 969.8 |
| Other noncurrent liabilities | 14.6 | 7.2 |
| Total liabilities | 1,309.4 | 1,115.1 |
| Partners' capital | | |
| Common unitholders—public (17,062,655 and 17,014,377 units issued and outstanding as of September 30, 2019 and December 31, 2018) | 354.2 | 357.1 |
| Common unitholders—affiliate (10,282,654 units issued and outstanding as of September 30, 2019 and December 31, 2018) | 37.5 | 39.5 |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding as of September 30, 2019 and December 31, 2018) | 99.2 | 105.3 |
| General partner | 15.5 | 14.9 |
| Total Hess Midstream Partners LP partners' capital | 506.4 | 516.8 |
| Noncontrolling interest | 2,350.6 | 2,194.1 |
| Accumulated other comprehensive income | 0.6 | 1.2 |
| Net parent investment | (1,026.4) | (836.0) |
| Total partners' capital | 1,831.2 | 1,876.1 |
| Total liabilities and partners' capital | $ 3,140.6 | $ 2,991.2 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

# HESS MIDSTREAM LP
## SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF OPERATIONS
## (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 (1) | 2018 (1) | 2019 (1) | 2018 (1) |
| Revenues | | | | |
| Affiliate services | $ 214.9 | $ 183.6 | $ 594.5 | $ 526.2 |
| Other income | - | 0.2 | 0.3 | 0.6 |
| Total revenues | 214.9 | 183.8 | 594.8 | 526.8 |
| Costs and expenses | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 71.9 | 50.2 | 184.1 | 137.9 |
| Depreciation expense | 36.0 | 31.5 | 105.0 | 93.5 |
| General and administrative expenses | 7.7 | 3.1 | 19.4 | 9.3 |
| Total costs and expenses | 115.6 | 84.8 | 308.5 | 240.7 |
| Income from operations | 99.3 | 99.0 | 286.3 | 286.1 |
| Earnings from equity investments | 0.5 | - | 0.5 | - |
| Interest expense, net | 12.4 | 12.9 | 44.2 | 40.1 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 |
| Net income | 87.4 | 86.1 | 242.6 | 246.6 |
| Less: Net income (loss) attributable to net parent investment | (13.0) | (10.7) | (44.0) | (33.8) |
| Less: Net income attributable to noncontrolling interest | 81.3 | 78.0 | 232.6 | 226.8 |
| Net income attributable to Hess Midstream Partners LP | 19.1 | 18.8 | 54.0 | 53.6 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.3 | 0.5 | 3.1 | 1.2 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 17.8 | $ 18.3 | $ 50.9 | $ 52.4 |
| | | | | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | | |
| Common | $ 0.33 | $ 0.34 | $ 0.93 | $ 0.96 |
| Subordinated | $ 0.33 | $ 0.34 | $ 0.93 | $ 0.96 |
| Weighted average limited partners units outstanding: | | | | |
| Basic: | | | | |
| Common | 27.3 | 27.3 | 27.3 | 27.3 |
| Subordinated | 27.3 | 27.3 | 27.3 | 27.3 |
| Diluted: | | | | |
| Common | 27.5 | 27.4 | 27.5 | 27.4 |
| Subordinated | 27.3 | 27.3 | 27.3 | 27.3 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF COMPREHENSIVE INCOME**
**(UNAUDITED)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2019 (1) | 2018 (1) | 2019 (1) | 2018 (1) |
| Net income | $ 87.4 | $ 86.1 | $ 242.6 | $ 246.6 |
| Effect of hedge (gains) losses reclassified to income | (0.2) | (0.1) | (0.6) | (0.2) |
| Total other comprehensive income (loss) | (0.2) | (0.1) | (0.6) | (0.2) |
| | | | | |
| Comprehensive income | 87.2 | 86.0 | 242.0 | 246.4 |
| Less: Comprehensive income attributable to net parent investment | (13.2) | (10.8) | (44.6) | (34.0) |
| Less: Comprehensive income attributable to noncontrolling interest | 81.3 | 78.0 | 232.6 | 226.8 |
| Comprehensive income attributable to Hess Midstream Partners LP | $ 19.1 | $ 18.8 | $ 54.0 | $ 53.6 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**
**(UNAUDITED)**

| | Partners' Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Limited Partners | | | | | | | |
| (in millions) | Common Unitholders Public | Common Unitholders Affiliate | Subordinated Unitholders Affiliate | General Partner | Non-Controlling Interest | Accumulated Other Comprehensive Income | Net Parent Investment(1) | Total (1) |
| Balance, December 31, 2018 | $ 357.1 | $ 39.5 | $ 105.3 | $ 14.9 | $ 2,194.1 | $ 1.2 | $ (836.0) | $ 1,876.1 |
| Net income | 5.3 | 3.4 | 8.6 | 0.8 | 77.2 | - | (14.5) | 80.8 |
| Unit-based compensation | 0.3 | - | - | - | - | - | - | 0.3 |
| Distributions to unitholders | (6.3) | (3.8) | (10.1) | - | - | | - | (20.2) |
| Distributions to general partner | - | - | - | (0.6) | - | | 0.6 | - |
| Distributions to noncontrolling interest | - | - | - | - | (57.1) | - | 57.1 | - |
| Contributions from noncontrolling interest | - | - | - | - | 55.5 | | (55.5) | |
| Other comprehensive income (loss) | - | - | | | - | (0.2) | - | (0.2) |
| Acquisition of Hess Water Services | - | - | | | - | - | (225.0) | (225.0) |
| Balance, March 31, 2019 | $ 356.4 | $ 39.1 | $ 103.8 | $ 15.1 | $ 2,269.7 | $ 1.0 | $ (1,073.3) | $ 1,711.8 |
| Net income | 4.9 | 3.0 | 7.9 | 1.0 | 74.1 | - | (16.5) | 74.4 |
| Unit-based compensation | 0.3 | - | - | - | - | - | - | 0.3 |
| Distributions to unitholders | (6.5) | (4.0) | (10.5) | - | - | - | - | (21.0) |
| Distributions to general partner | - | - | - | (0.8) | - | - | 0.8 | - |
| Distributions to noncontrolling interest | - | - | - | - | (49.0) | - | 49.0 | - |
| Contributions from noncontrolling interest | - | - | - | - | 12.8 | - | (12.8) | - |
| Other comprehensive income (loss) | - | - | - | - | - | (0.2) | - | (0.2) |
| Balance, June 30, 2019 | $ 355.1 | $ 38.1 | $ 101.2 | $ 15.3 | $ 2,307.6 | $ 0.8 | $ (1,052.8) | $ 1,765.3 |
| Net income | 5.5 | 3.4 | 8.9 | 1.3 | 81.3 | - | (13.0) | 87.4 |
| Unit-based compensation | 0.5 | - | - | - | - | - | - | 0.5 |
| Distributions to unitholders | (6.9) | (4.0) | (10.9) | - | - | - | - | (21.8) |
| Distributions to general partner | - | - | - | (1.1) | - | - | 1.1 | - |
| Distributions to noncontrolling interest | - | - | - | - | (46.3) | - | 46.3 | - |
| Contributions from noncontrolling interest | - | - | - | - | 8.0 | - | (8.0) | - |
| Other comprehensive income (loss) | - | - | - | - | - | (0.2) | - | (0.2) |
| Balance, September 30, 2019 | $ 354.2 | $ 37.5 | $ 99.2 | $ 15.5 | $ 2,350.6 | $ 0.6 | $ (1,026.4) | $ 1,831.2 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**
**(UNAUDITED)**

| | Partners' Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Limited Partners | | | | | | | |
| (in millions) | Common Unitholders Public | Common Unitholders Affiliate | Subordinated Unitholders Affiliate | General Partner | Non-Controlling Interest | Accumulated Other Comprehensive Income | Net Parent Investment(1) | Total (1) |
| Balance, December 31, 2017 | $ 357.7 | $ 40.5 | $ 107.8 | $ 14.8 | $ 2,034.5 | $ 1.6 | $ (604.6) | $ 1,952.3 |
| Net income | 5.2 | 3.2 | 8.3 | 0.3 | 72.0 | - | (11.3) | 77.7 |
| Unit-based compensation | 0.1 | - | - | - | - | - | - | 0.1 |
| Distributions to unitholders | (5.4) | (3.3) | (8.8) | - | - | - | - | (17.5) |
| Distributions to general partner | - | - | - | (0.4) | - | - | 0.4 | - |
| Distributions to noncontrolling interest | - | - | - | - | (61.7) | - | 61.7 | - |
| Contributions from noncontrolling interest | - | - | - | - | 20.6 | - | (20.6) | - |
| Other contributions from (distributions to) parent, net | - | - | - | - | - | - | (1.9) | (1.9) |
| Balance, March 31, 2018 | $ 357.6 | $ 40.4 | $ 107.3 | $ 14.7 | $ 2,065.4 | $ 1.6 | $ (576.3) | $ 2,010.7 |
| Net income | 5.4 | 3.3 | 8.7 | 0.4 | 76.8 | - | (11.8) | 82.8 |
| Unit-based compensation | 0.3 | - | - | - | - | - | - | 0.3 |
| Distributions to unitholders | (5.7) | (3.4) | (9.1) | - | - | - | - | (18.2) |
| Distributions to general partner | - | - | - | (0.4) | - | - | 0.4 | - |
| Distributions to noncontrolling interest | - | - | - | - | (41.5) | - | 41.5 | - |
| Contributions from noncontrolling interest | - | - | - | - | 14.6 | - | (14.6) | - |
| Other comprehensive income (loss) | - | - | - | - | - | (0.1) | - | (0.1) |
| Other contributions from (distributions to) parent, net | - | - | - | - | - | - | (0.3) | (0.3) |
| Balance, June 30, 2018 | $ 357.6 | $ 40.3 | $ 106.9 | $ 14.7 | $ 2,115.3 | $ 1.5 | $ (561.1) | $ 2,075.2 |
| Net income | 5.7 | 3.4 | 9.2 | 0.5 | 78.0 | - | (10.7) | 86.1 |
| Unit-based compensation | 0.3 | - | - | - | - | - | - | 0.3 |
| Distributions to unitholders | (6.0) | (3.5) | (9.5) | - | - | - | - | (19.0) |
| Distributions to general partner | - | - | - | (0.3) | | | 0.3 | - |
| Distributions to noncontrolling interest | - | - | - | - | (46.0) | - | 46.0 | - |
| Contributions from noncontrolling interest | - | - | - | - | 21.0 | - | (21.0) | - |
| Other comprehensive income (loss) | - | - | - | - | - | (0.1) | - | (0.1) |
| Other contributions from (distributions to) parent, net | - | - | - | - | - | - | (0.6) | (0.6) |
| Balance, September 30, 2018 | $ 357.6 | $ 40.2 | $ 106.6 | $ 14.9 | $ 2,168.3 | $ 1.4 | $ (547.1) | $ 2,141.9 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

**HESS MIDSTREAM LP**
**SUPPLEMENTAL CONSOLIDATED COMBINED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| (in millions) | Nine Months Ended September 30, 2019 (1) | Nine Months Ended September 30, 2018 (1) |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ 242.6 | $ 246.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 105.0 | 93.5 |
| (Gain) loss on sale of property, plant and equipment | - | (0.6) |
| (Gain) loss on interest rate swaps | (0.6) | (0.2) |
| Earnings from equity investments | (0.5) | - |
| (Increase) decrease in capitalized interest | (4.1) | - |
| Amortization of deferred financing costs | 3.8 | 3.6 |
| Unit-based compensation | 1.1 | 0.7 |
| Changes in assets and liabilities: | | |
| Accounts receivable—affiliate | (7.6) | (10.3) |
| Other current and noncurrent assets | (4.7) | (0.9) |
| Accounts payable—trade | 3.7 | - |
| Accounts payable—affiliate | (1.5) | (3.4) |
| Accrued liabilities | - | 5.6 |
| Other current and noncurrent liabilities | (2.8) | (2.2) |
| Net cash provided by (used in) operating activities | 334.4 | 332.4 |
| Cash flows from investing activities | | |
| Payments for equity investments | (33.0) | (67.3) |
| Acquisitions from Hess | (68.9) | - |
| Acquisitions from third parties, net of cash acquired | (89.2) | - |
| Proceeds from sale of property, plant and equipment | - | 1.6 |
| Additions to property, plant and equipment | (194.9) | (168.9) |
| Net cash provided by (used in) investing activities | (386.0) | (234.6) |
| Cash flows from financing activities | | |
| Proceeds from (repayments of) bank borrowings—revolver | 176.0 | - |
| Repayments of bank borrowings—term loan | (7.5) | - |
| Capital distributions to Hess associated with acquisitions | (156.1) | - |
| Financing costs | - | (1.0) |
| Distributions to HESM unitholders | (63.0) | (54.7) |
| Other contributions from (distributions to) partners | - | (2.8) |
| Net cash provided by (used in) financing activities | (50.6) | (58.5) |
| Net increase (decrease) in cash and cash equivalents | (102.2) | 39.3 |
| Cash and cash equivalents at beginning of period | 109.3 | 355.7 |
| Cash and cash equivalents at end of period | $ 7.1 | $ 395.0 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.

See accompanying notes to unaudited supplemental consolidated combined financial statements.

*The financial information presented has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.*

**Note 1. Description of Business**

Hess Midstream Partners LP (the “Partnership” or “HESM”) is a fee-based, growth-oriented traditional master limited partnership formed by Hess Infrastructure Partners LP (“Hess Infrastructure Partners” or “HIP”), 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.

On April 10, 2017, the Partnership completed an initial public offering (“IPO”) of 16,997,000 common units, representing 30.5% limited partner interests for net proceeds of approximately $365.5 million, after deducting the underwriters’ discounts and structuring fees of $25.4 million. In connection with the IPO, Hess Infrastructure Partners contributed to the Partnership 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 crude oil pipeline and truck receipt terminal in North Dakota; and a 100% economic interest in Hess Mentor Storage Holdings LLC (“Mentor Holdings”), which owns a propane storage cavern and related rail and truck loading and unloading and storage terminal in Minnesota, (collectively the “Joint Interest Assets”).

On January 25, 2018, we entered into a 50/50 joint venture with Targa Resources Corp. (“Targa”) to construct a new 200 million standard cubic feet per day gas processing plant called Little Missouri 4 (“LM4”). LM4 was placed in service in the third quarter of 2019. Targa is the operator of the plant.

On March 1, 2019, Hess Infrastructure Partners acquired Hess’s existing Bakken water services business (“Hess Water Services”). See Note 3, Acquisitions.

On March 22, 2019, we acquired the crude oil, gas and water gathering assets of Summit Midstream Partners’ Tioga Gathering System. See Note 3, Acquisitions.

On December 16, 2019 the Partnership completed a restructuring transaction (the “Restructuring Transaction”), pursuant to which the Partnership acquired all of the partnership interests of Hess Infrastructure Partners from Hess and GIP, including HIP’s retained 80% economic interest in the Joint Interest Assets, its produced water gathering and disposal business and all of the HESM incentive distribution rights. The acquisition of Hess Infrastructure Partners resulted in HESM’s ownership, directly or indirectly, of 100% of the Joint Interest Assets and 100% of Hess Water Services and was accounted for as an acquisition of a business under common control. Accordingly, our supplemental consolidated combined financial statements prior to the acquisition date of December 16, 2019 were retrospectively recast to include the financial results of Hess Infrastructure Partners. See Note 3, Acquisitions.

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).

The terms “we,” “our” and “us” as used in the footnotes 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 Partnership.

**Note 2. Basis of Presentation**

*Presentation*. The supplemental consolidated combined 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 supplemental consolidated combined financial position at September 30, 2019 and December 31, 2018, the supplemental consolidated combined results of operations for the three and nine months ended September 30, 2019 and 2018, and supplemental consolidated combined cash flows for the nine months ended September 30, 2019 and 2018. The unaudited results of operations for the interim periods reported are not necessarily indicative of the results to be expected for the full year.

The supplemental consolidated combined financial statements were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim reporting. Accordingly, certain notes or other financial information that are normally required by U.S. GAAP have been condensed or omitted from these interim supplemental consolidated combined financial statements. These statements, therefore, should be read in conjunction with the Partnership’s annual audited supplemental consolidated combined financial statements and related notes for the year ended December 31, 2018.

The acquisition of Hess Infrastructure Partners from Hess and GIP was accounted for as an acquisition of a business under common control. Accordingly, our consolidated financial statements prior to the acquisition date of December 16, 2019 were retrospectively recast to include the financial results of Hess Infrastructure Partners.

*Consolidation.* Prior to the Restructuring Transaction on December 16, 2019 that resulted in our indirect ownership of 100% interest in the Joint Interest Assets, we consolidated the activities of Gathering Opco, HTGP Opco and Logistics Opco, which qualified as variable interest entities ("VIE") under U.S. GAAP. We concluded that we were the primary beneficiary of each VIE, as defined in the accounting standards, since we had the power through our general partner interests to direct those activities that most significantly impact the economic performance of the Joint Interest Assets and had a right to receive benefits and an obligation to absorb losses that could potentially be significant. All financial statement activities associated with VIEs are captured within gathering, processing and storage, and terminaling and export segments (see Note 13, Segments). We reflected a noncontrolling interest representing the 80% retained limited partner interest owned by Hess Infrastructure Partners in the Joint Interest Assets in the supplemental consolidated combined financial statements of the Partnership. Subsequent to the Restructuring Transaction, HESM continues to consolidate Gathering Opco, HTGP Opco, Mentor Holdings and Hess Water Services based on our 100% ownership and control of these entities. All intercompany transactions and balances within the Partnership have been eliminated.

*Common Control Transactions.* Assets and businesses acquired from Hess and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with net assets of the Partnership at Hess's historical carrying value. If any recognized consideration transferred in such a transaction exceeds the carrying value of the net assets acquired, the excess is treated as a capital distribution to Hess, similar to a dividend. To the extent that such transactions require prior periods to be retrospectively adjusted, historical net equity amounts prior to the transaction date are reflected in "Net Parent Investment." Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our supplemental consolidated combined statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our supplemental consolidated combined statement of cash flows.

*Equity Investments.* We account for our investment in LM4 under the equity method of accounting, as we do not control, but have a significant influence over, its operations. Through September 30, 2019, we contributed $100.3 million of cash for our gross interest in LM4 and capitalized $4.1 million of interest expense associated with our investment in LM4. Difference in the basis of the investment and the underlying net asset value of the equity investee is amortized into net income over the remaining useful lives of the underlying assets. Earnings from equity investments represent our proportionate share of net income generated by the equity investee.

*Net Parent Investment.* Net parent investment represents Hess Infrastructure Partners' historical activity as well as Hess's historical investment in Hess Water Services prior to its acquisition by Hess Infrastructure Partners, the accumulated net operating results through the date when we obtained control of Hess Infrastructure Partners, and the net effect of transactions between Hess Infrastructure Partners and its sponsors, Hess and GIP, and between Hess and Hess Water Services. Retrospectively adjusted financial information from prior to the acquisition of Hess Infrastructure Partners is included in Net parent investment.

*Income Taxes*. Prior to the Restructuring Transaction on December 16, 2019 (see Note 15, Subsequent Events), we were not a separate taxable entity for U.S. Federal and state income tax purposes; therefore, we did not provide for income tax benefit or expense. Each partner was subject to income taxes on its share of the Partnership's earnings.

On March 1, 2019, Hess Infrastructure Partners acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it were a standalone taxpayer for all periods presented. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the period from March 1, 2019 through the Restructuring Transaction date of December 16, 2019, Hess Water Services was not taxable itself and was not part of a separate taxable entity; therefore, no income tax provision was recognized.

Subsequent to the Restructuring Transaction on December 16, 2019, Hess Midstream LP, which is taxed as a corporation for U.S. federal and state income tax purposes, became a partial owner of HESM. Hess Midstream LP will provide income tax expense or benefit on its allocable share of HESM income or loss for periods subsequent to the Restructuring Transaction.

***Summary of Significant Accounting Policies***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, *Leases*, as a new Accounting Standards Codification ("ASC") Topic, ASC 842. We adopted ASC 842 on January 1, 2019 using the modified retrospective method. Accordingly, comparative financial statements for periods prior to the adoption date of ASC 842 were not affected. In addition, we have elected to apply the 'package' of practical expedients allowing us to avoid reassessing whether existing contracts are (or contain) leases, whether the lease classification for existing leases would differ under ASC 842, and whether initial direct costs incurred for existing leases are capitalizable under ASC 842. Finally, we have elected to apply the practical expedient allowing us to avoid reassessing land easements that were not previously accounted for as leases under ASC 840. We have not elected the 'hindsight' practical expedient when determining lease term. As a result, no cumulative effect adjustment to Partners' capital was recognized.

*Leases*. We determine if an arrangement is a lease at inception. Operating lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use asset includes any initial direct costs and excludes lease incentives received. The lease term used in measurement of our lease obligations may include periods covered by an option to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Partnership has elected not to recognize lease assets and lease liabilities for leases with a term of 12 months or less for all classes of underlying assets. Our lease agreements may include lease and non-lease components, which are generally accounted for separately.

As of September 30, 2019, we had $0.8 million of operating lease right-of-use assets included within other noncurrent assets on our supplemental consolidated combined balance sheet. Operating lease liabilities were $0.2 million and $0.6 million included within other current liabilities and other noncurrent liabilities, respectively, on our supplemental consolidated combined balance sheet. As of September 30, 2019, we did not have any finance leases.

## Note 3. Acquisitions

***Tioga System Acquisition***

On March 22, 2019, we acquired 100% of the membership interest in Tioga Midstream Partners LLC from Summit Midstream Partners, LP that owns oil, gas, and water gathering assets (the "Tioga System Acquisition"). The transaction was accounted for as an asset acquisition. The Tioga System, located in Williams County in western North Dakota, is complementary to our infrastructure, and is currently delivering volumes into our gathering system.

We paid $89.2 million in cash at closing, net of cash acquired, and recognized a contingent liability for additional potential payments of $10 million in future periods subject to certain performance metrics. We funded the purchase price through a combination of cash on hand and borrowings under our revolving credit facility.

The acquired Tioga System is included in our gathering segment (see Note 13, Segments).

***Hess Water Services Acquisition***

On March 1, 2019, Hess Infrastructure Partners acquired 100% of the membership interest in Hess Water Services Holdings LLC that owns Hess's existing Bakken water services business for $225.0 million in cash. Hess Infrastructure Partners funded the purchase price through a combination of cash on hand and borrowings under its revolving credit facility. In connection with the Hess Water Services acquisition, Hess Infrastructure Partners acquired the following:

| (in millions) | | |
|---|---|---|
| Property, plant and equipment, net | $ | 70.8 |
| Working capital | | (1.2) |
| Asset retirement obligations | | (0.7) |
| Net assets acquired | $ | 68.9 |

The transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at Hess's historical carrying value. We recognized $156.1 million of consideration in excess of the book value of net assets acquired as a capital distribution to Hess.

Hess Water Services is included in our gathering segment (see Note 13, Segments).

***Hess Infrastructure Partners LP Acquisition***

On December 16, 2019, the Partnership completed the Restructuring Transaction, pursuant to which the Partnership acquired all of the partnership interests of Hess Infrastructure Partners from Hess and GIP, including HIP's retained 80% economic interest in the Joint Interest Assets, its produced water gathering and disposal business and all of the HESM incentive distribution rights. The acquisition of Hess Infrastructure Partners resulted in HESM's ownership of 100% of the Joint Interest Assets and 100% of Hess Water Services and was accounted for as an acquisition of a business under common control. Accordingly, our consolidated financial statements prior to the acquisition date of December 16, 2019 were retrospectively recast to include the financial results of Hess Infrastructure Partners. Hess Infrastructure Partners previously consolidated the results of HESM; therefore, the recast of HESM's previously reported financial information did not result in any changes in segment information, other than inclusion of Hess Water Services in the gathering segment.

***Retrospective Adjusted Information Tables***

The following tables present our financial position, results of operations and cash flows giving effect to the acquisition of Hess Infrastructure Partners. The results of Hess Infrastructure Partners prior to the effective date of the acquisition are included in “Acquisition of HIP” and the consolidated combined results are included in “Consolidated Combined” within the tables below. HESM, as previously reported, did not have any items of other comprehensive income during the periods presented.

Supplemental Consolidated Combined Balance Sheet

| | September 30, 2019 | | |
|---|---|---|---|
| (in millions) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Assets | | | |
| Cash and cash equivalents | $ 3.5 | $ 3.6 | $ 7.1 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 68.2 | 7.6 | 75.8 |
| Other receivables | 0.1 | - | 0.1 |
| Other current assets | 7.4 | 0.3 | 7.7 |
| Total current assets | 79.2 | 11.5 | 90.7 |
| Equity Investments | 100.8 | 4.1 | 104.9 |
| Property, plant and equipment, net | 2,823.1 | 114.7 | 2,937.8 |
| Long-term receivable—affiliate | - | 1.2 | 1.2 |
| Other noncurrent assets | 2.2 | 3.8 | 6.0 |
| Total assets | $ 3,005.3 | $ 135.3 | $ 3,140.6 |
| Liabilities | | | |
| Accounts payable—trade | $ 17.7 | $ 5.1 | $ 22.8 |
| Accounts payable—affiliate | 47.6 | (3.1) | 44.5 |
| Accrued liabilities | 54.5 | 14.8 | 69.3 |
| Current maturities of long-term debt | - | 15.0 | 15.0 |
| Other current liabilities | 6.6 | - | 6.6 |
| Total current liabilities | 126.4 | 31.8 | 158.2 |
| Long-term debt | 11.0 | 1,125.6 | 1,136.6 |
| Other noncurrent liabilities | 10.9 | 3.7 | 14.6 |
| Total liabilities | 148.3 | 1,161.1 | 1,309.4 |
| Partners' capital | | | |
| Common unitholders—public (17,062,655 units issued and outstanding as of September 30, 2019) | 354.2 | - | 354.2 |
| Common unitholders—affiliate (10,282,654 units issued and outstanding as of September 30, 2019) | 37.5 | - | 37.5 |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding as of September 30, 2019) | 99.2 | - | 99.2 |
| General partner | 15.5 | - | 15.5 |
| Total Hess Midstream Partners LP partners' capital | 506.4 | - | 506.4 |
| Noncontrolling interest | 2,350.6 | - | 2,350.6 |
| Accumulated other comprehensive income | - | 0.6 | 0.6 |
| Net parent investment | - | (1,026.4) | (1,026.4) |
| Total partners' capital | 2,857.0 | (1,025.8) | 1,831.2 |
| Total liabilities and partners' capital | $ 3,005.3 | $ 135.3 | $ 3,140.6 |

| | December 31, 2018 | | |
|---|---|---|---|
| (in millions) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Assets | | | |
| Cash and cash equivalents | $ 20.3 | $ 89.0 | $ 109.3 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 62.2 | 5.1 | 67.3 |
| Other receivables | 0.8 | (0.3) | 0.5 |
| Other current assets | 2.8 | 0.5 | 3.3 |
| Total current assets | 86.1 | 94.3 | 180.4 |
| Equity Investments | 67.3 | - | 67.3 |
| Property, plant and equipment, net | 2,664.1 | 71.2 | 2,735.3 |
| Long-term receivable—affiliate | - | 1.3 | 1.3 |
| Other noncurrent assets | 2.2 | 4.7 | 6.9 |
| Total assets | $ 2,819.7 | $ 171.5 | $ 2,991.2 |
| Liabilities | | | |
| Accounts payable—trade | $ 15.3 | $ 3.3 | $ 18.6 |
| Accounts payable—affiliate | 15.8 | - | 15.8 |
| Accrued liabilities | 64.5 | 21.1 | 85.6 |
| Current maturities of long-term debt | - | 11.3 | 11.3 |
| Other current liabilities | 6.8 | - | 6.8 |
| Total current liabilities | 102.4 | 35.7 | 138.1 |
| Long-term debt | - | 969.8 | 969.8 |
| Other noncurrent liabilities | 6.4 | 0.8 | 7.2 |
| Total liabilities | 108.8 | 1,006.3 | 1,115.1 |
| Partners' capital | | | |
| Common unitholders—public (17,014,377 units issued and outstanding as of December 31, 2018) | 357.1 | - | 357.1 |
| Common unitholders—affiliate (10,282,654 units issued and outstanding as of December 31, 2018) | 39.5 | - | 39.5 |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding as of December 31, 2018) | 105.3 | - | 105.3 |
| General partner | 14.9 | - | 14.9 |
| Total Hess Midstream Partners LP partners' capital | 516.8 | - | 516.8 |
| Noncontrolling interest | 2,194.1 | - | 2,194.1 |
| Accumulated other comprehensive income | - | 1.2 | 1.2 |
| Net parent investment | - | (836.0) | (836.0) |
| Total partners' capital | 2,710.9 | (834.8) | 1,876.1 |
| Total liabilities and partners' capital | $ 2,819.7 | $ 171.5 | $ 2,991.2 |

Supplemental Consolidated Combined Statements of Operations

| (in millions, except per unit amounts) | Three Months Ended September 30, 2019 | | |
|---|---|---|---|
| | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Affiliate services | $ 195.4 | $ 19.5 | $ 214.9 |
| Other income | - | - | - |
| Total revenues and other income | 195.4 | 19.5 | 214.9 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 56.5 | 15.4 | 71.9 |
| Depreciation expense | 34.5 | 1.5 | 36.0 |
| General and administrative expenses | 3.9 | 3.8 | 7.7 |
| Total costs and expenses | 94.9 | 20.7 | 115.6 |
| Income from operations | 100.5 | (1.2) | 99.3 |
| Earnings from equity investments | 0.5 | - | 0.5 |
| Interest expense, net | 0.6 | 11.8 | 12.4 |
| Net income | 100.4 | (13.0) | 87.4 |
| Less: Net income (loss) attributable to net parent investment | - | (13.0) | (13.0) |
| Less: Net income attributable to noncontrolling interest | 81.3 | - | 81.3 |
| Net income attributable to Hess Midstream Partners LP | $ 19.1 | $ - | $ 19.1 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.3 | - | 1.3 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 17.8 | $ - | $ 17.8 |
| | | | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 0.33 | $ - | $ 0.33 |
| Subordinated | $ 0.33 | $ - | $ 0.33 |
| Weighted average limited partners units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | - | 27.3 |
| Subordinated | 27.3 | - | 27.3 |
| Diluted: | | | |
| Common | 27.5 | - | 27.5 |
| Subordinated | 27.3 | - | 27.3 |

| | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|
| (in millions, except per unit amounts) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Revenues and other income | | | |
| Affiliate services | $ 542.1 | $ 52.4 | $ 594.5 |
| Other income | 0.3 | - | 0.3 |
| Total revenues and other income | 542.4 | 52.4 | 594.8 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 142.0 | 42.1 | 184.1 |
| Depreciation expense | 101.1 | 3.9 | 105.0 |
| General and administrative expenses | 11.6 | 7.8 | 19.4 |
| Total costs and expenses | 254.7 | 53.8 | 308.5 |
| Income from operations | 287.7 | (1.4) | 286.3 |
| Earnings from equity investments | 0.5 | - | 0.5 |
| Interest expense, net | 1.6 | 42.6 | 44.2 |
| Net income | 286.6 | (44.0) | 242.6 |
| Less: Net income (loss) attributable to net parent investment | - | (44.0) | (44.0) |
| Less: Net income attributable to noncontrolling interest | 232.6 | - | 232.6 |
| Net income attributable to Hess Midstream Partners LP | $ 54.0 | $ - | $ 54.0 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 3.1 | - | 3.1 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 50.9 | $ - | $ 50.9 |
| | | | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 0.93 | $ - | $ 0.93 |
| Subordinated | $ 0.93 | $ - | $ 0.93 |
| Weighted average limited partners units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | - | 27.3 |
| Subordinated | 27.3 | - | 27.3 |
| Diluted: | | | |
| Common | 27.5 | - | 27.5 |
| Subordinated | 27.3 | - | 27.3 |

| (in millions, except per unit amounts) | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Revenues and other income | | | |
| Affiliate services | $ 169.3 | $ 14.3 | $ 183.6 |
| Other income | 0.2 | - | 0.2 |
| Total revenues and other income | 169.5 | 14.3 | 183.8 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 39.4 | 10.8 | 50.2 |
| Depreciation expense | 30.6 | 0.9 | 31.5 |
| General and administrative expenses | 2.4 | 0.7 | 3.1 |
| Total costs and expenses | 72.4 | 12.4 | 84.8 |
| Income from operations | 97.1 | 1.9 | 99.0 |
| Interest expense, net | 0.3 | 12.6 | 12.9 |
| Net income | 96.8 | (10.7) | 86.1 |
| Less: Net income (loss) attributable to net parent investment | - | (10.7) | (10.7) |
| Less: Net income attributable to noncontrolling interest | 78.0 | - | 78.0 |
| Net income attributable to Hess Midstream Partners LP | $ 18.8 | $ - | $ 18.8 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 0.5 | - | 0.5 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 18.3 | $ - | $ 18.3 |
| | | | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 0.34 | $ - | $ 0.34 |
| Subordinated | $ 0.34 | $ - | $ 0.34 |
| Weighted average limited partners units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | - | 27.3 |
| Subordinated | 27.3 | - | 27.3 |
| Diluted: | | | |
| Common | 27.4 | - | 27.4 |
| Subordinated | 27.3 | - | 27.3 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (in millions, except per unit amounts) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Revenues and other income | | | |
| Affiliate services | $ 490.6 | $ 35.6 | $ 526.2 |
| Other income | 0.6 | - | 0.6 |
| Total revenues and other income | 491.2 | 35.6 | 526.8 |
| Costs and expenses | | | - |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 111.1 | 26.8 | 137.9 |
| Depreciation expense | 90.8 | 2.7 | 93.5 |
| General and administrative expenses | 7.9 | 1.4 | 9.3 |
| Total costs and expenses | 209.8 | 30.9 | 240.7 |
| Income from operations | 281.4 | 4.7 | 286.1 |
| Interest expense, net | 1.0 | 39.1 | 40.1 |
| Gain on sale of property, plant and equipment | - | 0.6 | 0.6 |
| Net income | 280.4 | (33.8) | 246.6 |
| Less: Net income (loss) attributable to net parent investment | - | (33.8) | (33.8) |
| Less: Net income attributable to noncontrolling interest | 226.8 | - | 226.8 |
| Net income attributable to Hess Midstream Partners LP | $ 53.6 | $ - | $ 53.6 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.2 | - | 1.2 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 52.4 | $ - | $ 52.4 |
| | | | |
| Net income attributable to Hess Midstream Partners LP per limited partner unit (basic and diluted): | | | |
| Common | $ 0.96 | $ - | $ 0.96 |
| Subordinated | $ 0.96 | $ - | $ 0.96 |
| Weighted average limited partners units outstanding: | | | |
| Basic: | | | |
| Common | 27.3 | - | 27.3 |
| Subordinated | 27.3 | - | 27.3 |
| Diluted: | | | |
| Common | 27.4 | - | 27.4 |
| Subordinated | 27.3 | - | 27.3 |

Supplemental Consolidated Combined Statement of Cash Flows

| (in millions) | Nine Months Ended September 30, 2019 HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 286.6 | $ (44.0) | $ 242.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 101.1 | 3.9 | 105.0 |
| (Gain) loss on interest rate swaps | - | (0.6) | (0.6) |
| Earnings from equity investments | (0.5) | - | (0.5) |
| (Increase) decrease in capitalized interest | - | (4.1) | (4.1) |
| Amortization of deferred financing costs | 0.9 | 2.9 | 3.8 |
| Unit-based compensation | 1.1 | - | 1.1 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (5.2) | (2.4) | (7.6) |
| Other current and noncurrent assets | (5.0) | 0.3 | (4.7) |
| Accounts payable—trade | 2.2 | 1.5 | 3.7 |
| Accounts payable—affiliate | 4.3 | (5.8) | (1.5) |
| Accrued liabilities | 9.2 | (9.2) | - |
| Other current and noncurrent liabilities | (2.5) | (0.3) | (2.8) |
| Net cash provided by (used in) operating activities | 392.2 | (57.8) | 334.4 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (33.0) | - | (33.0) |
| Acquisitions from Hess | - | (68.9) | (68.9) |
| Acquisitions from third parties, net of cash acquired | (61.0) | (28.2) | (89.2) |
| Additions to property, plant and equipment | (184.4) | (10.5) | (194.9) |
| Net cash provided by (used in) investing activities | (278.4) | (107.6) | (386.0) |
| Cash flows from financing activities | | | |
| Proceeds from (repayments of) bank borrowings—revolver | 11.0 | 165.0 | 176.0 |
| Repayments of bank borrowings—term loan | - | (7.5) | (7.5) |
| Capital distributions to Hess associated with acquisitions | - | (156.1) | (156.1) |
| Distributions to HESM unitholders | (63.0) | - | (63.0) |
| Distributions to general partner | (2.5) | 2.5 | - |
| Distributions to noncontrolling interest | (152.4) | 152.4 | - |
| Contributions from noncontrolling interest | 76.3 | (76.3) | - |
| Net cash provided by (used in) financing activities | (130.6) | 80.0 | (50.6) |
| Net increase (decrease) in cash and cash equivalents | (16.8) | (85.4) | (102.2) |
| Cash and cash equivalents at beginning of period | 20.3 | 89.0 | 109.3 |
| Cash and cash equivalents at end of period | $ 3.5 | $ 3.6 | $ 7.1 |

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (in millions) | HESM as Previously Reported | Acquisition of HIP | Consolidated Combined |
| Cash flows from operating activities | | | |
| Net income | $ 280.4 | $ (33.8) | $ 246.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 90.8 | 2.7 | 93.5 |
| (Gain) loss on sale of property, plant and equipment | - | (0.6) | (0.6) |
| (Gain) loss on interest rate swaps | - | (0.2) | (0.2) |
| Amortization of deferred financing costs | 0.8 | 2.8 | 3.6 |
| Unit-based compensation | 0.7 | - | 0.7 |
| Changes in assets and liabilities: | | - | |
| Accounts receivable—affiliate | (5.7) | (4.6) | (10.3) |
| Other current and noncurrent assets | (0.7) | (0.2) | (0.9) |
| Accounts payable—trade | 0.6 | (0.6) | - |
| Accounts payable—affiliate | 0.8 | (4.2) | (3.4) |
| Accrued liabilities | 2.5 | 3.1 | 5.6 |
| Other current and noncurrent liabilities | (2.8) | 0.6 | (2.2) |
| Net cash provided by (used in) operating activities | 367.4 | (35.0) | 332.4 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (67.3) | - | (67.3) |
| Proceeds from sale of property, plant and equipment | - | 1.6 | 1.6 |
| Additions to property, plant and equipment | (163.9) | (5.0) | (168.9) |
| Net cash provided by (used in) investing activities | (231.2) | (3.4) | (234.6) |
| Cash flows from financing activities | | | |
| Financing costs | - | (1.0) | (1.0) |
| Distributions to HESM unitholders | (54.7) | - | (54.7) |
| Distributions to general partner | (1.1) | 1.1 | - |
| Distributions to noncontrolling interest | (149.2) | 149.2 | - |
| Contributions from noncontrolling interest | 56.2 | (56.2) | - |
| Other contributions (distributions) | - | (2.8) | (2.8) |
| Net cash provided by (used in) financing activities | (148.8) | 90.3 | (58.5) |
| Net increase (decrease) in cash and cash equivalents | (12.6) | 51.9 | 39.3 |
| Cash and cash equivalents at beginning of period | 47.2 | 308.5 | 355.7 |
| Cash and cash equivalents at end of period | $ 34.6 | $ 360.4 | $ 395.0 |

## Note 4. Related Party Transactions

### *Commercial Agreements*

Effective January 1, 2014, we entered into (i) gas gathering, (ii) crude oil gathering, (iii) gas processing and fractionation, (iv) storage services, and (v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. Effective January 1, 2019, in connection with the Hess Water Services Acquisition, we entered into long-term fee-based water services agreements with certain subsidiaries of Hess. In addition, in 2018, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed.

Under our commercial agreements, we provide gathering, compression, processing, fractionation, storage, terminaling, loading, transportation and produced water disposal services to Hess, for which we receive a fee per barrel of crude oil, barrel of water, Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, delivered during each month, and Hess is obligated to provide us with minimum volumes of crude oil, water, natural gas and NGLs. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually. We elected the practical expedient to recognize revenue in the amount to which we have a right to invoice as permitted under ASC 606, Revenue from Contracts with Customers. Due to this election and as the transaction price allocated to our unsatisfied performance obligations is entirely variable, we have elected the exemption provided by ASC 606 from the disclosure of revenue recognizable in future periods as our unsatisfied performance obligations are fulfilled.

In September 2018, we amended and restated our gas gathering and gas processing and fractionation agreements with Hess to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. Effective January 1, 2019, Hess pays us a combined processing fee per Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, for aggregate volumes processed (or to be processed) at LM4 and TGP. Except for the water services agreements and except for a certain gathering sub-system as described below, each of our commercial agreements with Hess retains its initial 10-year term (“Initial Term”) and we have the unilateral right to extend each commercial agreement for one additional 10-year term (“Secondary Term”). Initial Term for the water services agreements is 14 years and the Secondary Term is 10 years. The amended and restated gas gathering agreement also extends the Initial Term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year Initial Term and decreases the Secondary Term for that gathering sub-system by 5 years to provide for a 5-year Secondary Term. In addition, the fee recalculation mechanism continues to apply to the amended and restated agreements and, effective January 1, 2019, incorporates the revenues received and expected to be received by Hess from sourcing third-party dedicated production in order to further align the interests of us and Hess in promoting the growth of third-party volumes on our Bakken assets.

For the three and nine months ended September 30, 2019 and 2018, 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 retain control of our assets and the flow of volumes based on available capacity within our integrated gathering, processing and terminaling systems. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

During the three and nine months ended September 30, 2019, we earned $3.0 million and $6.5 million, respectively of minimum volume shortfall fee payments, compared with $11.5 million and $40.9 million for the three and nine months ended September 30, 2018, respectively. In addition, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $12.0 million and $24.1 million, respectively of reimbursements from Hess related to third-party rail transportation costs, compared with $4.5 million and $12.1 million for the three and nine months ended September 30, 2018, respectively. Furthermore, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $14.5 million and $40.2 million, respectively of reimbursements from Hess related to third-party produced water trucking and disposal costs, compared with $10.5 million and $25.9 million, for the three and nine months ended September 30, 2018, respectively. Finally, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $8.3 million and $23.2 million, respectively of reimbursements from Hess related to electricity fees, compared with $6.7 million and $20.1 million, for the three and nine months ended September 30, 2018, respectively. The related third-party rail transportation, produced water trucking and disposal costs and electricity fees were included in Operating and maintenance expenses in the accompanying unaudited supplemental consolidated combined statements of operations.

Revenue from contracts with customers on a disaggregated basis was as follows:

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Oil and gas gathering services | $ 86.4 | $ 82.6 | $ 245.6 | $ 243.0 |
| Water gathering and disposal services | 19.5 | 14.3 | 52.4 | 35.6 |
| Processing and storage services | 74.0 | 65.2 | 207.8 | 186.4 |
| Terminaling and export services | 35.0 | 21.5 | 88.7 | 61.2 |
| Total revenues from contracts with customers | 214.9 | 183.6 | 594.5 | 526.2 |
| Other income | - | 0.2 | 0.3 | 0.6 |
| Total revenues | $ 214.9 | $ 183.8 | $ 594.8 | $ 526.8 |

***Omnibus and Secondment Agreements***

Under our omnibus and employee secondment agreements, Hess provides substantial operational and administrative services to us in support of our assets and operations. For the three and nine months ended September 30, 2019 and 2018, we had the following charges from Hess. 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.

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Operating and maintenance expenses | $ 13.4 | $ 12.4 | $ 36.3 | $ 35.5 |
| General and administrative expenses | 3.7 | 1.9 | 10.5 | 5.1 |
| Total | $ 17.1 | $ 14.3 | $ 46.8 | $ 40.6 |

***LM4 Agreements***

Separately from our commercial agreements with Hess, effective January 24, 2018, we entered into a gas processing agreement with LM4 under which we deliver natural gas to LM4, and LM4 processes and redelivers certain volumes of residue gas and NGLs resulting from such processing services. The agreement has a 16-year initial term, after which it is automatically renewed for subsequent one-year terms unless terminated by either party. Under this agreement, we pay a processing fee per Mcf of natural gas and reimburse LM4 for our proportionate share of electricity costs. We are entitled to 50% of the available processing capacity of the LM4 gas processing plant. Should Targa not use all of the remaining processing capacity at the plant on any day, such unutilized portion of the available capacity will be available for our use. Regardless of the actual portion of the plant available capacity utilized by each joint venture member during a given period, under the LM4 amended and restated limited liability company agreement, profits and losses of the LM4 joint venture are allocated 50/50 between Targa and us. LM4 was placed in service in the third quarter of 2019.

During the three months ended September 30, 2019, we incurred $0.9 million of expenses under the LM4 gas processing agreement, which are included in Operating and maintenance expenses in the accompanying supplemental consolidated combined statements of operations. In addition, during the three months ended September 30, 2019, we recognized $0.5 million of earnings from equity investments, as presented in our accompanying supplemental consolidated combined statements of operations.

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

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

| (in millions, except for number of years) | Estimated useful lives | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Gathering assets | | | |
| Pipelines | 22 years | $ 1,293.4 | $ 1,098.1 |
| Compressors, pumping stations, and terminals | 22 to 25 years | 656.1 | 558.9 |
| Gas plant assets | | | |
| 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 | 188.2 | 185.5 |
| Logistics facilities and railcars | 20 to 25 years | 385.5 | 385.8 |
| Storage facilities | 20 to 25 years | 19.5 | 19.5 |
| Other | 20 to 25 years | 11.2 | 11.4 |
| Construction-in-progress | N/A | 171.0 | 158.5 |
| Total property, plant and equipment | | 3,795.4 | 3,488.2 |
| Accumulated depreciation | | (857.6) | (752.9) |
| Property, plant and equipment, net | | $ 2,937.8 | $ 2,735.3 |

**Note 6. Accrued Liabilities**

Accrued liabilities are as follows:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Accrued capital expenditures | $ 36.1 | $ 52.4 |
| Accrued interest | 5.7 | 16.9 |
| Other accruals | 27.5 | 16.3 |
| Total | $ 69.3 | $ 85.6 |

**Note 7. Debt and Interest Expense**

***Hess Infrastructure Partners LP Fixed-Rate Senior Notes***

In November 2017, Hess Infrastructure Partners issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of Hess Infrastructure Partners, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of the Partnership. Interest is payable semi-annually on February 15 and August 15. Hess Infrastructure Partners used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At September 30, 2019, Hess Infrastructure Partners had $800.0 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600.0 million 5-year revolving credit facility and a drawn $200.0 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund HIP’s operating activities and capital expenditures. The credit facilities are guaranteed by certain of HIP’s wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of HIP’s and certain of its wholly owned subsidiaries’ directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At September 30, 2019, borrowings of $165.0 million were outstanding under HIP’s revolving credit facility, and borrowings of $190.0 million, excluding deferred issuance costs, were outstanding under HIP’s Term Loan A facility. See Note 15, Subsequent Events.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate “LIBOR” plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. The interest rate is subject to adjustment based on HIP’s leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If HIP obtains an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require HIP to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of September 30, 2019, HIP was in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, Hess Midstream Partners entered into a four-year, $300.0 million senior secured revolving credit facility that became available to us upon the closing of Hess Midstream Partners’ IPO on April 10, 2017. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on Hess Midstream Partners’ leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If Hess Midstream Partners obtains credit ratings, pricing levels will be based on Hess Midstream Partners’ credit ratings in effect from time to time. Hess Midstream Partners 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, 2019, Hess Midstream Partners was in compliance with all covenants. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of Hess Midstream Partners and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. At September 30, 2019, borrowings of $11.0 million were drawn under this facility.

On October 4, 2019, we announced that, in conjunction with the proposed transaction, including acquisition of HIP, incentive distribution rights simplification and conversion into an “Up-C” corporate structure, HIP’s credit facilities will be retired, and HESM will assume approximately $800 million principal amount of HIP’s outstanding senior notes in exchange for the issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. In addition, HESM expects to incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction. See Note 15, Subsequent Events.

***Fair Value Measurement***

The carrying value of the amounts under the revolving credit facilities and the Term Loan A facility at September 30, 2019 and 2018 approximated their fair value. At September 30, 2019, outstanding amounts under the fixed-rate senior notes with a carrying value of $788.4 million had a fair value of approximately $836.9 million, based on Level 2 inputs in the fair value measurement hierarchy. A 15% increase or decrease in interest rates would decrease or increase the fair value of our fixed rate debt by approximately $31 million or $33 million, respectively. Any changes in interest rates do not impact cash outflows associated with fixed rate interest payments or settlement of debt principal, unless a debt instrument is repurchased prior to maturity.

**Note 8. Cash 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. The following table details the distributions declared and/or paid for the periods presented:

| Period | Record Date | Distribution Date | Distribution per Common and Subordinated Unit |
|---|---|---|---|
| First Quarter 2018 | May 4, 2018 | May 14, 2018 | $ 0.3333 |
| Second Quarter 2018 | August 2, 2018 | August 13, 2018 | $ 0.3452 |
| Third Quarter 2018 | November 5, 2018 | November 13, 2018 | $ 0.3575 |
| Fourth Quarter 2018 | February 4, 2019 | February 13, 2019 | $ 0.3701 |
| First Quarter 2019 | May 3, 2019 | May 14, 2019 | $ 0.3833 |
| Second Quarter 2019 | August 5, 2019 | August 13, 2019 | $ 0.3970 |
| Third Quarter 2019(1) | November 4, 2019 | November 13, 2019 | $ 0.4112 |

**(1)** For more information, see Note 15, Subsequent Events.

**Note 9. Unit-Based Compensation**

In 2017, the Partnership 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.

Under the LTIP, the Partnership granted awards of phantom units with distribution equivalent rights to certain officers, employees and directors. These phantom units and distribution equivalent rights vest ratably over a three-year period for officers and employees, and vest after one year for directors. Cash distributions on the phantom units accumulate and are 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, 2019 was as follows:

| | Number of Units | Weighted Average Award Date Fair Value |
|---|---|---|
| Outstanding and unvested units at December 31, 2018 | 114,237 | $ 21.06 |
| Granted | 74,528 | 22.76 |
| Forfeited | (290) | 23.00 |
| Vested | (48,278) | 21.15 |
| Outstanding and unvested units at September 30, 2019 | 140,197 | $ 21.93 |

As of September 30, 2019, $2.2 million of compensation cost related to unvested phantom units awarded under the LTIP remains to be recognized over an expected weighted-average period of 1.9 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 interest and incentive distribution rights.

The following table illustrates the Partnership's calculation of net income per limited partner unit:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions, except per unit amounts) | 2019 | 2018 | 2019 | 2018 |
| Net income | $ 87.4 | $ 86.1 | $ 242.6 | $ 246.6 |
| Less: Net income (loss) attributable to net parent investment | (13.0) | (10.7) | (44.0) | (33.8) |
| Less: Net income attributable to noncontrolling interest | 81.3 | 78.0 | 232.6 | 226.8 |
| Net income attributable to Hess Midstream Partners LP | 19.1 | 18.8 | 54.0 | 53.6 |
| Less: General partner's interest in net income attributable to Hess Midstream Partners LP | 1.3 | 0.5 | 3.1 | 1.2 |
| Limited partners' interest in net income attributable to Hess Midstream Partners LP | $ 17.8 | $ 18.3 | $ 50.9 | $ 52.4 |
| Common unitholders' interest in net income attributable to Hess Midstream Partners LP | $ 8.9 | $ 9.2 | $ 25.5 | $ 26.2 |
| Subordinated unitholders' interest in net income attributable to Hess Midstream Partners LP | $ 8.9 | $ 9.1 | $ 25.4 | $ 26.2 |
| Net income attributable to Hess Midstream Partners LP per limited partner unit: | | | | |
| Common (basic and diluted) | $ 0.33 | $ 0.34 | $ 0.93 | $ 0.96 |
| Subordinated (basic and diluted) | $ 0.33 | $ 0.34 | $ 0.93 | $ 0.96 |
| Weighted average number of limited partner units outstanding: | | | | |
| Basic: | | | | |
| Common | 27.3 | 27.3 | 27.3 | 27.3 |
| Subordinated | 27.3 | 27.3 | 27.3 | 27.3 |
| Diluted: | | | | |
| Common | 27.5 | 27.4 | 27.5 | 27.4 |
| Subordinated | 27.3 | 27.3 | 27.3 | 27.3 |

**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, 2019 and 2018.

**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, 2019, our reserves for estimated remediation liabilities included in Accrued liabilities and Other noncurrent liabilities were $0.1 million and $2.8 million, respectively, compared with $0.6 million and $2.0 million, respectively, as of December 31, 2018.

***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, 2019 and December 31, 2018, we did not have material 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.

***Lease Obligations***

From time to time, we enter into certain lease contracts in connection with ongoing business activities. As of September 30, 2019, we have future minimum payments of $0.2 million for the year ended December 31, 2019 and $0.6 million of commitments for the years thereafter.

**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 net income (loss) before interest expense, income tax (benefit), depreciation and amortization, and our proportional share of depreciation of our equity affiliates as further adjusted for other non-cash, non-recurring items, if applicable.

The following tables reflect certain financial data for each reportable segment. The acquisition of Hess Infrastructure Partners, which included Hess Water Services caused a change in composition of reportable segments and, as a result, the corresponding items of segment information for earlier periods have been restated.

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2019** | | | | | |
| Revenues and other income | $ 105.9 | $ 74.0 | $ 35.0 | $ - | $ 214.9 |
| Net income (loss) | 46.5 | 42.8 | 14.3 | (16.2) | 87.4 |
| Net income (loss) attributable to Hess Midstream Partners LP | 9.1 | 8.8 | 2.8 | (1.6) | 19.1 |
| Depreciation expense | 20.8 | 11.2 | 4.0 | - | 36.0 |
| Proportional share of equity affiliates' depreciation | - | 0.5 | - | - | 0.5 |
| Interest expense, net | - | - | - | 12.4 | 12.4 |
| Adjusted EBITDA | 67.3 | 54.5 | 18.3 | (3.8) | 136.3 |
| Capital expenditures | 96.7 | 15.0 | 0.4 | - | 112.1 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2018** | | | | | |
| Revenues and other income | $ 96.9 | $ 65.2 | $ 21.7 | $ - | $ 183.8 |
| Net income (loss) | 52.3 | 39.6 | 8.3 | (14.1) | 86.1 |
| Net income (loss) attributable to Hess Midstream Partners LP | 10.1 | 8.1 | 1.6 | (1.0) | 18.8 |
| Depreciation expense | 16.5 | 11.0 | 4.0 | - | 31.5 |
| Interest expense, net | - | - | - | 12.9 | 12.9 |
| Adjusted EBITDA | 68.8 | 50.6 | 12.3 | (1.2) | 130.5 |
| Capital expenditures | 81.8 | 0.5 | 1.1 | - | 83.4 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Nine Months Ended September 30, 2019** | | | | | |
| Revenues and other income | $ 298.0 | $ 208.0 | $ 88.8 | $ - | $ 594.8 |
| Net income (loss) | 132.5 | 124.2 | 38.8 | (52.9) | 242.6 |
| Net income (loss) attributable to Hess Midstream Partners LP | 25.8 | 25.4 | 7.8 | (5.0) | 54.0 |
| Depreciation expense | 59.5 | 33.5 | 12.0 | - | 105.0 |
| Proportional share of equity affiliates' depreciation | - | 0.5 | - | - | 0.5 |
| Interest expense, net | - | - | - | 44.2 | 44.2 |
| Adjusted EBITDA | 192.0 | 158.2 | 50.8 | (8.7) | 392.3 |
| Capital expenditures | 284.2 | 23.7 | 0.1 | - | 308.0 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| **For the Nine Months Ended September 30, 2018** | | | | | |
| Revenues and other income | $ 278.6 | $ 186.4 | $ 61.8 | $ - | $ 526.8 |
| Net income (loss) | 154.5 | 111.0 | 24.8 | (43.7) | 246.6 |
| Net income (loss) attributable to Hess Midstream Partners LP | 29.8 | 22.8 | 5.0 | (4.0) | 53.6 |
| Depreciation expense | 48.9 | 32.8 | 11.8 | - | 93.5 |
| Interest expense, net | - | - | - | 40.1 | 40.1 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Adjusted EBITDA | 203.4 | 143.8 | 36.6 | (4.2) | 379.6 |
| Capital expenditures | 193.2 | 7.9 | 3.3 | - | 204.4 |

Total assets for the reportable segments are as follows:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Gathering | $ 1,771.8 | $ 1,544.0 |
| Processing and Storage | 1,037.9 | 1,008.6 |
| Terminaling and Export | 312.9 | 320.2 |
| Interest and Other | 18.0 | 118.4 |
| Total assets | $ 3,140.6 | $ 2,991.2 |

## Note 14. Income Taxes

Prior to the Restructuring Transaction on December 16, 2019 (see Note 15, Subsequent Events), we were not a separate taxable entity for U.S. Federal and state income tax purposes; therefore, we did not provide for income tax benefit or expense. Each partner was subject to income taxes on its share of the partnership's earnings.

On March 1, 2019, Hess Infrastructure Partners acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it were a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the period from March 1, 2019 through the Restructuring Transaction date of December 16, 2019, Hess Water Services was not taxable itself and was not part of a separate taxable entity; therefore, no income tax provision was recognized. All of the income before income taxes for the periods presented was earned in the United States.

Hess Water Services is in a three-year cumulative loss at the end of 2018 and 2017, which constitutes objective negative evidence to which accounting standards require we assign significant weight relative to subjective estimates, such as income projections. As such, a full valuation allowance is maintained against net deferred tax assets of Hess Water Services, which results in a 0% effective tax rate and zero net deferred tax assets presented on the balance sheet.

Subsequent to the Restructuring Transaction on December 16, 2019, Hess Midstream LP, which is taxed as a corporation for U.S. federal and state income tax purposes, became a partial owner of HESM. Hess Midstream LP will provide income tax expense or benefit on its allocable share of HESM income or loss for periods subsequent to the Restructuring Transaction.

**Note 15. Subsequent Events**

On October 24, 2019, the board of directors of our general partner declared a quarterly cash distribution of $0.4112 per common and subordinated unit for the quarter ended September 30, 2019, an increase of 15% compared with the quarter ended September 30, 2018. The distribution was paid on November 13, 2019, to unitholders of record as of the close of business on November 4, 2019.

On October 4, 2019, HESM announced execution of a definitive agreement to acquire HIP, including HIP’s 80% interest in the Joint Interest Assets, 100% interest in HIP’s water services business and outstanding economic general partner interest and incentive distribution rights in HESM. As consideration for the contribution of Hess and GIP’s ownership interests in HIP, HESM will assume approximately $1.15 billion of HIP’s existing debt, will issue approximately 230 million limited partner units in HESM and pay a cash consideration of approximately $550 million to Hess and GIP, collectively.

Under the proposed transaction, HESM’s organizational structure will be converted into an “Up-C” structure in which incentive distribution right payments to sponsors are eliminated. Public unitholders will receive newly issued securities in a new public entity to be named “Hess Midstream LP” that will be taxed as a corporation for U.S. federal and state income tax purposes. In connection with the proposed transaction, HESM will own 100% of the underlying assets and be consolidated under Hess Midstream LP. HESM’s existing public unitholders will receive one class A share representing a limited partner interest in Hess Midstream LP for each HESM common unit they own. Hess and GIP’s ownership will be primarily through class B units of HESM that are exchangeable into class A shares of Hess Midstream LP on a one-for-one basis. Following the transaction, public shareholders will own 6% of the consolidated entity and Hess and GIP will each own 47% of the consolidated entity on an as-exchanged basis.

In conjunction with the proposed transaction, approximately $355 million in existing borrowings under HIP’s credit facilities will be retired and HESM will assume approximately $800 million principal amount of HIP’s outstanding senior notes in exchange for issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. On October 4, 2019, HESM commenced the offer to exchange HIP notes for new notes to be issued by HESM and, on November 27, 2019, HESM announced that 97.14% of the aggregate principal amount of HIP’s notes have been validly tendered and not validly withdrawn pursuant to the exchange offer. HESM expects to pay a consent payment of approximately $2.0 million on the settlement date. In addition, Hess Midstream will incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction.

The proposed transaction has been unanimously approved by the HESM Board and by a conflicts committee of the HESM Board comprised of independent directors. The transaction was closed on December 16, 2019. The transaction was treated for accounting purposes as a reorganization of entities under common control and recorded at the historical carrying values of the assets, liabilities and equity interests of the parties to the transaction. Furthermore, following the closing of the transaction, historical financial statements of HESM have been retrospectively recast as part of these supplemental consolidated combined financial statements to include the historical results of HIP.

On November 25, 2019, HESM announced that it has upsized and priced $550 million in aggregate principal amount of 5.125% senior notes due 2028 at par in a private offering. HESM used the net proceeds from the offering to finance the acquisition of HIP, as described above, including to repay borrowings under HIP’s credit facilities, partially fund the distribution to HIP’s sponsors, and pay related fees and expenses. The private offering of the notes was closed on December 10, 2019.

*Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited supplemental consolidated combined financial statements and accompanying footnotes of Hess Midstream LP and in conjunction with the audited supplemental consolidated combined financial statements and accompanying footnotes for the year ended December 31, 2018, 2017 and 2016 contained in this current report on Form 8-K.*

*Unless the context otherwise requires, references in this section to (i) "we," "us," "our" or like terms, refer to Hess Midstream Partners LP ("HESM" or the "Partnership") and its subsidiaries, (ii) "Hess Infrastructure Partners" or "HIP" refers to Hess Infrastructure Partners LP and its subsidiaries, (iii) "Hess" refers collectively to Hess Corporation and its subsidiaries, other than us; (iv) "GIP" refers to GIP II Blue Holding Partnership, LP, which owns interests in us, and the funds managed by Global Infrastructure Management, LLC, and such funds' subsidiaries and affiliates, that hold interests in GIP II Blue Holding Partnership, LP.*

***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.***

## Overview

We are a fee-based, growth-oriented company formed by Hess Infrastructure Partners to own, operate, develop and acquire a diverse set of midstream assets to provide fee-based 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.

On April 10, 2017, the Partnership completed an initial public offering ("IPO") of 16,997,000 common units, representing 30.5% limited partner interests in the Partnership, for net proceeds of approximately $365.5 million, after deducting the underwriters' discounts and structuring fees of $25.4 million. In connection with the IPO, HIP LP contributed a 20% controlling economic interest in each of Hess North Dakota Pipeline Operations LP ("Gathering Opco"), Hess TGP Operations LP ("HTGP Opco") and Hess North Dakota Export Logistics Operations LP ("Logistics Opco") (collectively, the "Joint Interest Assets"), and a 100% economic interest in Hess Mentor Storage Holdings LLC ("Mentor Holdings") to the Partnership.

On January 25, 2018, we entered into a 50/50 joint venture with Targa Resources Corp. to construct a new 200 million standard cubic feet per day (MMcf/d) gas processing plant called Little Missouri 4 ("LM4"). LM4 was placed in service in the third quarter of 2019. Targa is the operator of the plant.

On March 1, 2019, Hess Infrastructure Partners acquired Hess's existing Bakken water services business ("Hess Water Services") for cash consideration of $225.0 million.

On March 22, 2019, we acquired the crude oil, gas and water gathering assets of Summit Midstream Partners' Tioga Gathering System for cash consideration of $89.2 million, with the potential for an additional $10.0 million of contingent payments in future periods subject to certain future performance metrics.

On April 25, 2019, we announced plans to expand natural gas processing capacity at TGP by 150 MMcf/d for total processing capacity of 400 MMcf/d for expected capital expenditures of approximately $150 million, to be in service by mid-2021.

On October 4, 2019, we announced execution of a definitive agreement to acquire Hess Infrastructure Partners, including its 80% interest in the Joint Interest Assets, 100% interest in the water services business and outstanding economic general partner interest and incentive distribution rights in the Partnership. As consideration for the contribution of Hess and GIP's ownership interests in Hess Infrastructure Partners, we agreed to assume approximately $1.15 billion of HIP's existing debt, issue approximately 230 million limited partner units in the Partnership and pay a cash consideration of approximately $550 million to Hess and GIP collectively.

Under the proposed transaction, HESM's organizational structure will be converted into an "Up-C" structure in which incentive distribution right payments to sponsors are eliminated. Public unitholders will receive newly issued securities in a new public entity to be named "Hess Midstream LP" that will be taxed as a corporation for U.S. federal and state income tax purposes. In connection with the proposed transaction, HESM will own 100% of the underlying assets and be consolidated under Hess Midstream LP. HESM's existing public unitholders will receive one class A share representing a limited partner interest in Hess Midstream LP for each HESM common unit they own. Hess and GIP's ownership will be primarily through class B units of HESM that are exchangeable into class A shares of Hess Midstream LP on a one-for-one basis. Following the transaction, public shareholders will own 6% of the consolidated entity and Hess and GIP will each own 47% of the consolidated entity on an as-exchanged basis.

In conjunction with the proposed transaction, approximately $355 million in existing borrowings under HIP's credit facilities will be retired and HESM will assume approximately $800 million of HIP's outstanding notes in exchange for the issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. On October 4, 2019, the Partnership announced that it has commenced the offer to exchange HIP notes for new notes to be issued by HESM and, on November 27, 2019, HESM announced that 97.14% of the aggregate principal amount of HIP's notes have been validly tendered and not validly withdrawn pursuant to the exchange offer. The Partnership expects to pay a consent payment of approximately $2.0 million on the settlement date. In addition, the Partnership expects to incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction.

The proposed transaction has been unanimously approved by the board of directors of Hess Midstream Partners GP LLC, the general partner of the general partner of the Partnership, and a conflicts committee thereof comprised of independent directors. The transaction was closed on December 16, 2019. The transaction was treated for accounting purposes as a reorganization of entities under common control and recorded at the historical carrying values of the assets, liabilities and equity interests of the parties to the transaction. As part of the supplemental consolidated combined financial statements, following the closing of the transaction, historical financial statements of HESM have been retrospectively recast to include the historical results of HIP.

On November 25, 2019, HESM announced that it has upsized and priced $550 million in aggregate principal amount of 5.125% senior notes due 2028 at par in a private offering. HESM used the net proceeds from the offering to finance the acquisition of HIP, as described above, including to repay borrowings under HIP's credit facilities, partially fund the distribution to HIP's sponsors, and pay related fees and expenses. The private offering of the notes was closed on December 10, 2019.

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

## Third Quarter Results

Significant financial and operating highlights for the third quarter of 2019 included:

- Net income of $87.4 million, of which $19.1 million is attributable to the Partnership;
- Net cash provided by operating activities of $83.4 million;
- Adjusted EBITDA of $136.3 million;
- Little Missouri 4 gas processing plant placed in service;
- Compared with prior-year quarter, throughput volumes increased by 67% for water gathering, 34% for crude oil gathering, 31% for crude oil terminaling, 8% for gas gathering, and 7% for gas processing driven by Hess's growing production and ramp-up of the Little Missouri 4 gas processing plant.

For additional information regarding our non-GAAP financial measures, see "How We Evaluate Our Operations" 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; storing and terminaling propane; and gathering and disposing of produced water. We have entered into long-term, fee-based commercial agreements with Hess dated effective January 1, 2014 for oil and gas services agreements, and effective January 1, 2019 for water services agreements. In addition, in 2018, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed.

Except for the water services agreements and except for a certain gathering sub-system, as described below, each of our commercial agreements with Hess has an initial 10-year term and we have the unilateral right to renew each of these agreements for one additional 10-year term. Initial term for the water services agreements is 14 years and the secondary term is 10 years. In September 2018, we amended our gas gathering and gas processing and fractionation agreements to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. The amended and restated gas gathering agreement also extends the initial term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year initial term and decreases the secondary term for that gathering sub-system by 5 years to provide for a 5-year secondary 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, produced water trucking and disposal costs and electricity fees for which we recognize revenues in an amount equal to the costs. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

## 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, and (iii) Adjusted EBITDA.

***Volumes.*** The amount of revenues we generate primarily depends on the volumes of crude oil, natural gas, NGLs and produced water 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; and
- increase throughput volumes at TGP 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.

***Adjusted EBITDA.*** We define Adjusted EBITDA as net income (loss) before net interest expense, income tax expense (benefit), depreciation and amortization and our proportional share of depreciation of our equity affiliates, 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 our noncontrolling interests in our joint interest assets.

Adjusted EBITDA is a non-GAAP supplemental financial measure that management and external users of our supplemental consolidated combined financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to those of other companies in the midstream business, without regard to financing methods, historical cost basis or capital structure;
- the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- 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 provides useful information to investors in assessing our financial condition and results of operations. Adjusted EBITDA 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 has important limitations as an analytical tool because it excludes some but not all items that affect net income and net cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents a reconciliation of Adjusted EBITDA attributable to Hess Midstream Partners LP to net income and net cash provided by operating activities, the most directly comparable GAAP financial measures.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 (1) | 2019 | 2018 (1) |
| (in millions) | | | | |
| Reconciliation of Adjusted EBITDA to net income: | | | | |
| Net income | $ 87.4 | $ 86.1 | $ 242.6 | $ 246.6 |
| Plus: | | | | |
| Depreciation expense | 36.0 | 31.5 | 105.0 | 93.5 |
| Proportional share of equity affiliates' depreciation | 0.5 | - | 0.5 | - |
| Interest expense, net | 12.4 | 12.9 | 44.2 | 40.1 |
| Less: | | | | |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 |
| Adjusted EBITDA | $ 136.3 | $ 130.5 | $ 392.3 | $ 379.6 |
| Reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities: | | | | |
| Net cash provided by operating activities | $ 83.4 | $ 89.4 | $ 334.4 | $ 332.4 |
| Changes in assets and liabilities | 37.0 | 29.5 | 12.9 | 11.2 |
| (Gain) loss on interest rate swaps | 0.2 | 0.1 | 0.6 | 0.2 |
| (Income) loss from equity investments | 0.5 | - | 0.5 | - |
| (Increase) decrease in capitalized interest | 4.1 | - | 4.1 | - |
| Amortization of deferred financing costs | (1.3) | (1.1) | (3.8) | (3.6) |
| Unit-based compensation | (0.5) | (0.3) | (1.1) | (0.7) |
| Interest expense, net | 12.4 | 12.9 | 44.2 | 40.1 |
| Proportional share of equity affiliates' depreciation | 0.5 | - | 0.5 | - |
| Adjusted EBITDA | $ 136.3 | $ 130.5 | $ 392.3 | $ 379.6 |

(1) The financial information presented in this report has been retrospectively adjusted for the acquisition of Hess Infrastructures LP. See Note 1 to the accompanying Supplemental Consolidated Combined Financial Statements.

## Results of Operations

***Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018***

Results of operations for the three months ended September 30, 2019 and 2018 are presented below. Prior period information has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP. The results of operations are discussed in further detail following this overview (in millions, unless otherwise noted).

| For the Three Months Ended September 30, 2019 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Affiliate services | $ 105.9 | $ 74.0 | $ 35.0 | $ - | $ 214.9 |
| Other income | - | - | - | - | - |
| Total revenues | 105.9 | 74.0 | 35.0 | - | 214.9 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 36.1 | 19.3 | 16.5 | - | 71.9 |
| Depreciation expense | 20.8 | 11.2 | 4.0 | - | 36.0 |
| General and administrative expenses | 2.5 | 1.2 | 0.2 | 3.8 | 7.7 |
| Total costs and expenses | 59.4 | 31.7 | 20.7 | 3.8 | 115.6 |
| Income (loss) from operations | 46.5 | 42.3 | 14.3 | (3.8) | 99.3 |
| Interest expense, net | - | - | - | 12.4 | 12.4 |
| Income from equity investments | - | 0.5 | - | - | 0.5 |
| Net income (loss) | 46.5 | 42.8 | 14.3 | (16.2) | 87.4 |
| Less: net income attributable to net parent investment | 1.6 | - | - | (14.6) | (13.0) |
| Less: net income (loss) attributable to noncontrolling interest | 35.8 | 34.0 | 11.5 | - | 81.3 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | $ 9.1 | $ 8.8 | $ 2.8 | $ (1.6) | $ 19.1 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 270 | | | | 270 |
| Crude oil gathering (MBbl/d)(2) | 119 | | | | 119 |
| Gas processing (MMcf/d)(1) | | 259 | | | 259 |
| Crude oil terminaling (MBbl/d)(2) | | | 130 | | 130 |
| NGL loading (MBbl/d)(2) | | | 16 | | 16 |
| Water gathering (MBbl/d)(2) | 45 | | | | 45 |

(1) Million cubic feet per day
(2) Thousand barrels per day

| For the Three Months Ended September 30, 2018 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Affiliate services | $ 96.9 | $ 65.2 | $ 21.5 | $ - | $ 183.6 |
| Other income | - | - | 0.2 | - | 0.2 |
| Total revenues | 96.9 | 65.2 | 21.7 | - | 183.8 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 26.9 | 14.0 | 9.3 | - | 50.2 |
| Depreciation expense | 16.5 | 11.0 | 4.0 | - | 31.5 |
| General and administrative expenses | 1.2 | 0.6 | 0.1 | 1.2 | 3.1 |
| Total costs and expenses | 44.6 | 25.6 | 13.4 | 1.2 | 84.8 |
| Income (loss) from operations | 52.3 | 39.6 | 8.3 | (1.2) | 99.0 |
| Interest expense, net | - | - | - | 12.9 | 12.9 |
| Net income (loss) | 52.3 | 39.6 | 8.3 | (14.1) | 86.1 |
| Less: net income attributable to net parent investment | 2.4 | - | - | (13.1) | (10.7) |
| Less: net income (loss) attributable to noncontrolling interest | 39.8 | 31.5 | 6.7 | - | 78.0 |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 10.1 | $ 8.1 | $ 1.6 | $ (1.0) | $ 18.8 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 251 | | | | 251 |
| Crude oil gathering (MBbl/d)(2) | 89 | | | | 89 |
| Gas processing (MMcf/d)(1) | | 241 | | | 241 |
| Crude oil terminaling (MBbl/d)(2) | | | 99 | | 99 |
| NGL loading (MBbl/d)(2) | | | 16 | | 16 |
| Water gathering (MBbl/d)(2) | 27 | | | | 27 |

(1) Million cubic feet per day
(2) Thousand barrels per day

***Gathering***

Revenues and other income increased $9.0 million in the third quarter of 2019 compared to the third quarter of 2018, of which $4.0 million is attributable to higher third-party water trucking pass-through revenue and $2.2 million is attributable to higher tariff rates and pass-through electricity fees. In addition, $1.2 million of the increase is attributable to higher water gathering volumes, $1.0 million is attributable to higher oil gathering volumes and $0.6 million is attributable to higher gas gathering volumes, driven by growing Hess production and LM4 ramp-up. Operating and maintenance expenses increased $9.2 million, of which $4.6 million is attributable to higher third-party water trucking pass-through costs and $4.6 million of the increase is attributable to higher maintenance activity on our expanded infrastructure and electricity costs due to additional compressors coming online. Depreciation expense increased $4.3 million due to gathering assets acquired from Summit Midstream Partners, LP at the end of the first quarter of 2019 and other new assets being brought into service. General and administrative expenses increased $1.3 million due to higher charges from Hess under our omnibus and employee secondment agreements.

***Processing and Storage***

Revenues and other income increased $8.8 million in the third quarter of 2019 compared to the third quarter of 2018, of which $4.4 million is attributable to higher volumes in connection with the LM4 ramp-up and $3.8 million is attributable to higher tariff rates. The remaining $0.6 million of the increase is attributable to higher pass-through electricity fees. Operating and maintenance expenses increased $5.3 million primarily due to higher maintenance activity, including initial work on the TGP turnaround, which is planned for 2020, electricity costs and LM4 processing fees. The dollar change in depreciation expense and general and administrative expenses was insignificant compared to the same quarter last year.

***Terminaling and Export***

Revenues and other income increased $13.3 million in the third quarter of 2019 compared to the third quarter of 2018, of which $7.5 million is attributable to higher rail transportation pass-through revenues. In addition, $3.4 million is attributable to higher crude oil throughput volumes at our terminals, driven by growing Hess production and additional third-party volumes contracted with Hess and delivered to us. The remaining $2.6 million of the increase in 2019 compared to 2018 is attributable to higher tariff rates, partially offset by $0.2 million change in other income. Operating and maintenance expenses increased $7.2 million primarily attributable to higher rail transportation pass-through costs. The dollar change in depreciation expense and general and administrative expenses was insignificant compared to the same quarter last year.

***Interest and Other***

General and administrative expenses increased $2.6 million in the third quarter of 2019 compared to the third quarter of 2018, mainly attributable to higher professional fees. The change in interest expense, net of interest income, was insignificant for the third quarter of 2019 compared to the third quarter of 2018.

***Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018***

Results of operations for the nine months ended September 30, 2019 and 2018 are presented below. The financial information presented has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP. See Note 1 to the accompanying Supplemental Consolidated Combined Financial Statements. The results of operations are discussed in further detail following this overview (in millions, unless otherwise noted).

| **For the Nine Months Ended September 30, 2019** | **Gathering** | **Processing and Storage** | **Terminaling and Export** | **Interest and Other** | **Consolidated Combined** |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Affiliate services | $ 298.0 | $ 207.8 | $ 88.7 | $ - | $ 594.5 |
| Other income | - | 0.2 | 0.1 | - | 0.3 |
| Total revenues | 298.0 | 208.0 | 88.8 | - | 594.8 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 99.2 | 47.5 | 37.4 | - | 184.1 |
| Depreciation expense | 59.5 | 33.5 | 12.0 | - | 105.0 |
| General and administrative expenses | 6.8 | 3.3 | 0.6 | 8.7 | 19.4 |
| Total costs and expenses | 165.5 | 84.3 | 50.0 | 8.7 | 308.5 |
| Income (loss) from operations | 132.5 | 123.7 | 38.8 | (8.7) | 286.3 |
| Interest expense, net | - | - | - | 44.2 | 44.2 |
| Income from equity investments | - | 0.5 | - | - | 0.5 |
| Net income (loss) | $ 132.5 | $ 124.2 | $ 38.8 | $ (52.9) | $ 242.6 |
| Less: net income attributable to net parent investment | 3.9 | - | - | (47.9) | (44.0) |
| Less: net income (loss) attributable to noncontrolling interest | 102.8 | 98.8 | 31.0 | - | 232.6 |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 25.8 | $ 25.4 | $ 7.8 | $ (5.0) | $ 54.0 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 259 | | | | 259 |
| Crude oil gathering (MBbl/d)(2) | 113 | | | | 113 |
| Gas processing (MMcf/d)(1) | | 244 | | | 244 |
| Crude oil terminaling (MBbl/d)(2) | | | 125 | | 125 |
| NGL loading (MBbl/d)(2) | | | 15 | | 15 |
| Water gathering (MBbl/d)(2) | 38 | | | | 38 |

(1) Million cubic feet per day
(2) Thousand barrels per day

| For the Nine Months Ended September 30, 2018 | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Combined |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Affiliate services | $ 278.6 | $ 186.4 | $ 61.2 | $ - | $ 526.2 |
| Other income | - | - | 0.6 | - | 0.6 |
| Total revenues | 278.6 | 186.4 | 61.8 | - | 526.8 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 72.2 | 40.7 | 25.0 | - | 137.9 |
| Depreciation expense | 48.9 | 32.8 | 11.8 | - | 93.5 |
| General and administrative expenses | 3.0 | 1.9 | 0.2 | 4.2 | 9.3 |
| Total costs and expenses | 124.1 | 75.4 | 37.0 | 4.2 | 240.7 |
| Income (loss) from operations | 154.5 | 111.0 | 24.8 | (4.2) | 286.1 |
| Interest expense, net | - | - | - | 40.1 | 40.1 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Net income (loss) | $ 154.5 | $ 111.0 | $ 24.8 | $ (43.7) | $ 246.6 |
| Less: net income attributable to net parent investment | 5.9 | - | - | (39.7) | (33.8) |
| Less: net income (loss) attributable to noncontrolling interest | 118.8 | 88.2 | 19.8 | - | 226.8 |
| Net income (loss) attributable to Hess Midstream Partners LP | $ 29.8 | $ 22.8 | $ 5.0 | $ (4.0) | $ 53.6 |
| | | | | | |
| Throughput volumes | | | | | |
| Gas gathering (MMcf/d)(1) | 246 | | | | 246 |
| Crude oil gathering (MBbl/d)(2) | 84 | | | | 84 |
| Gas processing (MMcf/d)(1) | | 231 | | | 231 |
| Crude oil terminaling (MBbl/d)(2) | | | 95 | | 95 |
| NGL loading (MBbl/d)(2) | | | 14 | | 14 |
| Water gathering (MBbl/d)(2) | 23 | | | | 23 |

(1) Million cubic feet per day
(2) Thousand barrels per day

***Gathering***

Revenues and other income increased $19.4 million in the first nine months of 2019 compared to the first nine months of 2018, of which $14.4 million is attributable to higher third-party water trucking pass-through revenue and $2.4 million is attributable to higher water gathering volumes. For oil and gas gathering, minimum volume commitments for 2018 were higher compared to 2019 based on higher historical nominations. While gathering throughput volumes increased in the first nine months of 2019 compared to the first nine months of 2018, we remained below the minimum volume commitment levels in both periods. As a result, oil and gas gathering revenues increased $2.6 million, of which $4.4 million is attributable to higher tariff rates compared to the same period last year and $2.2 million higher electricity pass-through revenue, offset by $4.0 million attributable to lower minimum volume commitment levels. Operating and maintenance expenses increased $27.0 million, of which $15.3 million is attributable to higher third-party water trucking pass-through costs and other operating expenses for water gathering assets, $7.7 million is attributable to higher maintenance activity on our expanded infrastructure, $2.2 million is attributable to electricity costs due to additional compressors coming online, and $1.8 million is attributable to higher property taxes due to additional assets acquired and placed into service. Depreciation expense increased $10.6 million due to gathering assets acquired from Summit Midstream Partners, LP at the end of the first quarter of 2019 and other new assets being brought into service. General and administrative expenses increased $3.8 million primarily attributable to higher charges from Hess under our omnibus and employee secondment agreements.

***Processing and Storage***

Revenues and other income increased $21.6 million in the first nine months of 2019 compared to the first nine months of 2018, of which $10.7 million is attributable to higher tariff rates and $9.6 million is attributable to higher volumes, driven by increased utilization of available capacity of TGP and LM4 ramp-up. The remaining $1.3 million of the increase is attributable to higher pass-through electricity fees and other income. Operating and maintenance expenses increased $6.8 million, of which $4.9 million is attributable to higher maintenance activity, including initial work on the TGP turnaround, which is planned for 2020, $1.0 million is attributable to electricity costs, and $0.9 million is attributable to LM4 processing fees. The increase in general and administrative expenses of $1.4 million is primarily attributable to higher charges from Hess under our omnibus and employee secondment agreements. The dollar change in depreciation expense was insignificant compared to the same period last year.

***Terminaling and Export***

Revenues and other income increased $27.0 million in the first nine months of 2019 compared to the first nine months of 2018, of which $12.0 million is attributable to higher rail transportation pass-through revenues. In addition, $10.1 million of the increase is attributable to higher crude oil throughput volumes at our terminals, driven by growing Hess production and additional third-party volumes contracted with Hess and delivered to us, and $7.6 million of the increase is attributable to higher tariff rates in 2019 compared to 2018. Other income increased $0.5 million. These increases were partially offset by $3.2 million attributable to lower NGL loading shortfall fees. Operating and maintenance expenses increased $12.4 million, primarily attributable to higher rail transportation pass-through costs. The dollar change in depreciation expense and general and administrative expenses was insignificant compared to the same period last year.

***Interest and Other***

General and administrative expenses increased $4.5 million mainly attributable to higher professional fees. Interest expense, net of interest income, increased $4.1 million in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by borrowings on HIP revolving credit facilities.

## Capital Resources and Liquidity

We expect our ongoing sources of liquidity to include:

- cash on hand;
- cash generated from operations;
- borrowings under our revolving credit facilities;
- 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, debt service requirements, our cash distributions, future internal growth projects or potential acquisitions.

The HESM Partnership Agreement requires that we distribute all of HESM's available cash to its unitholders. On October 24, 2019, we declared a quarterly cash distribution of $0.4112 per HESM Common Unit and HESM Subordinated Unit, payable on November 13, 2019 to unitholders of record as of the close of business on November 4, 2019.

***Hess Infrastructure Partners LP Fixed-Rate Senior Notes***

In November 2017, HIP issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of HIP, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of HIP. Interest is payable semi-annually on February 15 and August 15. HIP used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At September 30, 2019, HIP had $800.0 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600.0 million 5-year revolving credit facility and a drawn $200.0 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund HIP's operating activities and capital expenditures. The credit facilities are guaranteed by certain of HIP's wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of HIP's and certain of its wholly owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At September 30, 2019, borrowings of $165.0 million were outstanding under HIP's revolving credit facility, and borrowings of $190.0 million, excluding deferred issuance costs, were outstanding under HIP's Term Loan A facility.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate "LIBOR" plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. The interest rate is subject to adjustment based on HIP's leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If HIP obtains an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require HIP to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of September 30, 2019, HIP was in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, HESM entered into a four-year, $300.0 million senior secured revolving credit facility that became available to us upon the closing of HESM's IPO on April 10, 2017. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on HESM's leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If HESM obtains credit ratings, pricing levels will be based on HESM's credit ratings in effect from time to time. HESM is subject to customary covenants in the credit agreement, including a financial covenant that generally requires a leverage ratio of not more than 4.5 to 1.0 for the prior four fiscal quarters. As of September 30, 2019, HESM was in compliance with all covenants. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of HESM and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. At September 30, 2019, borrowings of $11.0 million were drawn under this facility.

On October 4, 2019, we announced that, in conjunction with the proposed transaction, including acquisition of HIP, incentive distribution rights simplification and conversion into an "Up-C" corporate structure, HIP's credit facilities will be retired, and HESM will assume approximately $800 million principal amount of HIP's outstanding senior notes in exchange for the issuance of up to $800 million aggregate principal amount of newly issued HESM senior notes. In addition, HESM expects to incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction. See Note 15, Subsequent Events.

***Cash Flows***

*Operating Activities.* Cash flows provided by operating activities increased $2.0 million for the first nine months of 2019 compared to the same period in 2018. The change in operating cash flows resulted from an increase in revenues and other income of $68.0 million, offset by an increase in expenses, other than depreciation, amortization, unit-based compensation, and other non-cash gains and losses of $64.3 million and a decrease in cash used from changes in working capital of $1.7 million.

*Investing Activities.* Cash flows used in investing activities increased $151.4 million for the first nine months of 2019 compared to the same period in 2018. The increase in investing cash outflows resulted from our acquisition of Summit Midstream Partners' Tioga Gathering System for $89.2 million, net of cash acquired, our acquisition of Hess Water Services for $68.9 million, an increase in payments for capital expenditures of $26.0 million and a decrease in proceeds from sale of property, plant and equipment of $1.6 million, offset by a decrease in payments for equity investments of $34.3 million.

*Financing Activities.* Cash flows used in financing activities decreased $7.9 million for the first nine months of 2019 compared to the same period in 2018 due to net debt proceeds of $169.5 million, net of any changes in financing costs, partially offset by a net increase in capital distributions to Hess, HESM unitholders and other distributions of $161.6 million.

***Capital Expenditures***

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, | |
|---|---|---|
| (in millions) | 2019 | 2018 |
| Total capital expenditures | $ 208.8 | $ 204.4 |
| (Increase) decrease in related liabilities | (13.9) | (35.5) |
| Additions to property, plant and equipment | $ 194.9 | $ 168.9 |

Capital expenditures in 2019 are primarily attributable to expansion of our gathering system and compression capacity to support Hess and third-party growth, and engineering, procurement, civil construction and fabrication activities for the planned expansion of the Tioga Gas Plant. Additionally, in the first nine months of 2019, we acquired Hess Water Services for cash consideration of $225.0 million, of which $68.9 million was recognized as additions to property, plant, and equipment and $156.1 million was recognized as a distribution to Hess. We also acquired Summit Midstream Partners' Tioga Gathering System for cash consideration of $89.2 million, with the potential for an additional $10 million of contingent payments in future periods subject to certain future performance metrics.

## 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 Term Loan A and revolving credit facilities bears interest at a variable rate, which exposes us to interest rate risk. We do not currently have in place any derivative instruments to hedge any exposure to variable interest rates.

**Exhibit 99.3**

## HESS MIDSTREAM LP
## SELECTED FINANCIAL DATA

The following is a summary of selected financial and operating data that should be read in conjunction with both our Supplemental Consolidated Combined Financial Statements and Accompanying Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this current report on Form 8-K.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions, except as noted) | | 2018(1) | | 2017(1) | | 2016(1) | | 2015(1) |
| Consolidated Statement of Operations Selected Data: | | | | | | | | |
| Revenues and other income | $ | 712.7 | $ | 579.5 | $ | 510.0 | $ | 565.1 |
| Net income | | 325.5 | | 242.0 | | 81.6 | | 139.0 |
| Net income attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017 | | 70.8 | | 41.2 | | - | | - |
| Per Unit Data: | | | | | | | | |
| Net income attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017 per common unit (basic and diluted) | $ | 1.27 | | 0.75 | $ | - | $ | - |
| Net income attributable to Hess Midstream Partners LP subsequent to the IPO on April 10, 2017 per subordinated unit (basic and diluted) | $ | 1.27 | | 0.75 | $ | - | $ | - |
| Cash distributions declared per limited partner unit | $ | 1.4061 | $ | 0.9028 | $ | - | $ | - |
| Consolidated Statement of Cash Flows Selected Data: | | | | | | | | |
| Operating activities | $ | 466.9 | $ | 336.5 | $ | 247.5 | $ | 253.7 |
| Investing activities | $ | (307.6) | $ | (131.4) | $ | (268.6) | $ | (323.5) |
| Financing activities | $ | (405.7) | $ | 148.9 | $ | 19.5 | $ | 73.1 |
| Other Financial Measures: | | | | | | | | |
| Adjusted EBITDA(2) | $ | 505.1 | $ | 379.6 | $ | 272.8 | $ | 238.9 |
| Capital expenditures(3): | | | | | | | | |
| Maintenance | $ | 6.9 | $ | 18.8 | $ | 8.0 | $ | 18.5 |
| Expansion | $ | 264.4 | $ | 99.5 | $ | 264.8 | $ | 274.3 |
| Operating volumes: | | | | | | | | |
| Gas gathering (MMcf/d) | | 248 | | 213 | | 202 | | 214 |
| Crude oil gathering (MBbl/d) | | 89 | | 64 | | 57 | | 39 |
| Gas processing (MMcf/d) | | 233 | | 200 | | 188 | | 194 |
| Crude oil terminaling (MBbl/d) | | 101 | | 69 | | 59 | | 73 |
| NGL loading (MBbl/d) | | 14 | | 12 | | 13 | | 13 |
| Water gathering (MBbl/d) | | 25 | | 16 | | - | | - |

(1) Financial information presented in this table has been retrospectively adjusted for the acquisition of Hess Infrastructure Partners LP.
(2) For a definition of Adjusted EBITDA and a reconciliation to the most directly compared financial measures calculated and presented in accordance with U.S. generally accepted accounting principles, see Supplemental Consolidated Combined Financial Statements included in this current report on Form 8-K.
(3) Represents capital expenditures attributable to 100% of the operations of Hess North Dakota Pipelines Operations LP, Hess TGP Operations LP, Hess North Dakota Export Logistics Operations LP, Hess Mentor Storage Holdings LLC and Hess Water Services LLC.

Exhibit 99.4

**HESS MIDSTREAM LP**
**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

**HESS MIDSTREAM LP**
**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**Introduction**

The following unaudited pro forma condensed combined balance sheet as of September 30, 2019 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2019 and for each of the years in the three-year period ended December 31, 2018 (together with the notes to the unaudited pro forma condensed combined financial statements, the "unaudited pro forma condensed combined financial statements") of Hess Midstream LP ("New HESM," "we," "us" or "our") give effect to the transactions contemplated by the Partnership Restructuring Agreement, dated as of October 3, 2019 (the "Partnership Restructuring Agreement"), and certain related financing transactions (the "Financing Transactions"), each as discussed further below (together, the "Transactions").

The unaudited pro forma condensed combined financial statements have been derived from (i) the unaudited consolidated financial statements of Hess Midstream Partners LP ("HESM" or "MLP") as of and for the nine months ended September 30, 2019, (ii) the unaudited consolidated financial statements of Hess Infrastructure Partners LP ("HIP") as of and for the nine months ended September 30, 2019, (iii) the audited consolidated statements of operations of HESM for each of the years in the three-year period ended December 31, 2018 and (iv) the audited consolidated statements of operations of HIP for each of the years in the three-year period ended December 31, 2018.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in HESM's annual report on Form 10-K for the year ended December 31, 2018, the audited consolidated financial statements and related notes thereto of HIP for each of the years in the three-year period ended December 31, 2018 included in this current report on Form 8-K, the unaudited consolidated financial statements and related notes included in HESM's quarterly report on Form 10-Q for the quarter ended September 30, 2019, the unaudited consolidated financial statements and related notes thereto of HIP for the nine months ended September 30, 2019 included in this current report on Form 8-K.

The pro forma adjustments are based upon currently available information and certain estimates and assumptions; therefore, actual adjustments may differ from the pro forma adjustments. However, management believes that the assumptions used to prepare these unaudited pro forma condensed combined financial statements provide a reasonable basis for presenting the significant effects of the contemplated Transactions and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma combined financial statements.

The unaudited pro forma condensed combined financial statements give pro forma effect to events that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. HIP consolidated HESM during the historical periods presented and there were no intercompany balances between HIP and HESM. Therefore, we derived the following unaudited pro forma condensed combined financial statements by applying pro forma adjustments to the historical consolidated financial statements of HIP, and the historical financial statements for HESM are presented for information purposes only. The Transactions are treated for accounting purposes as a reorganization of entities under common control and are recorded at the historic carrying values of the assets, liabilities and equity interests of the parties to the Transactions.

The pro forma adjustments have been prepared as if the Transactions had taken place on September 30, 2019 in the case of the unaudited pro forma condensed combined balance sheet, and as of January 1, 2016 in the case of the unaudited pro forma condensed combined statements of operations. The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The unaudited pro forma condensed combined financial statements may not be indicative of the results that actually would have occurred if we had consummated the Transactions on the dates indicated, or the results that will be obtained in the future.

**HESS MIDSTREAM LP**
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

| | September 30, 2019 | | | | |
|---|---|---|---|---|---|
| *(in millions)* | Hess Midstream Partners LP (1) | Hess Infrastructure Partners LP (2) | Pro forma Adjustments | | Pro forma New HESM |
| Assets | | | | | |
| Cash and cash equivalents | $ 3.5 | $ 7.1 | $ (3.6) | (c) | $ 3.5 |
| Accounts receivable—affiliate: | | | | | |
| From contracts with customers | 68.2 | 75.8 | - | | 75.8 |
| Other receivables | 0.1 | 0.1 | - | | 0.1 |
| Other current assets | 7.4 | 7.7 | - | | 7.7 |
| Total current assets | 79.2 | 90.7 | (3.6) | | 87.1 |
| Equity Investments | 100.8 | 104.9 | - | | 104.9 |
| Property, plant and equipment, net | 2,823.1 | 2,937.8 | - | | 2,937.8 |
| Long-term receivable—affiliate | - | 1.2 | - | | 1.2 |
| Deferred income taxes | - | - | 43.1 | (d) | 43.1 |
| Other noncurrent assets | 2.2 | 6.0 | 11.0 | (e) | 17.0 |
| Total assets | $ 3,005.3 | $ 3,140.6 | $ 50.5 | | $ 3,191.1 |
| Liabilities | | | | | - |
| Accounts payable—trade | $ 17.7 | $ 22.8 | $ - | | $ 22.8 |
| Accounts payable—affiliate | 47.6 | 44.5 | - | | 44.5 |
| Accrued liabilities | 54.5 | 69.3 | - | | 69.3 |
| Current maturities of long-term debt | - | 15.0 | (15.0) | (f) | - |
| Other current liabilities | 6.6 | 6.6 | - | | 6.6 |
| Total current liabilities | 126.4 | 158.2 | (15.0) | | 143.2 |
| Long-term debt | 11.0 | 1,136.6 | 591.0 | (f) | 1,727.6 |
| Other noncurrent liabilities | 10.9 | 14.6 | - | | 14.6 |
| Total liabilities | 148.3 | 1,309.4 | 576.0 | | 1,885.4 |
| Partners' capital | | | | | |
| Common unitholders—public (17,062,655 units issued and outstanding at September 30, 2019) | 354.2 | - | - | | - |
| Common unitholders—affiliate (10,282,654 units issued and outstanding at September 30, 2019) | 37.5 | - | - | | - |
| Subordinated unitholders—affiliate (27,279,654 units issued and outstanding at September 30, 2019) | 99.2 | - | - | | - |
| General partner | 15.5 | - | - | | - |
| Total historical partners' capital | 506.4 | 1,339.8 | (1,339.8) | (a) | - |
| Class A shares (17,960,655 shares issued and outstanding at September 30, 2019 on a pro forma basis) | - | - | 157.5 | (b) | 157.5 |
| Class B shares (266,416,928 shares issued and outstanding at September 30, 2019 on a pro forma basis) | - | - | - | (b) | - |
| Noncontrolling interest | 2,350.6 | 490.8 | (490.8) | (a) | 1,147.6 |
| | | | 1,147.6 | (b) | |
| Accumulated other comprehensive income | - | 0.6 | - | | 0.6 |
| Total partners' capital | 2,857.0 | 1,831.2 | (525.5) | | 1,305.7 |
| Total liabilities and partners' capital | $ 3,005.3 | $ 3,140.6 | $ 50.5 | | $ 3,191.1 |

(1) Presented for information purposes. See Note 1.
(2) Pro forma adjustments were applied to Hess Infrastructure Partners' historical financial statements. See Note 1.

See accompanying notes to unaudited pro forma condensed combined financial statements.

# HESS MIDSTREAM LP
## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

| *(in millions, except per-unit amounts)* | Nine Months Ended September 30, 2019 | | | |
|---|---|---|---|---|
| | Hess Midstream Partners LP (1) | Hess Infrastructure Partners LP (2) | Pro forma adjustments | Pro forma New HESM |
| Revenues and other income | | | | |
| Affiliate services | $ 542.1 | $ 594.5 | $ - | $ 594.5 |
| Other income | 0.3 | 0.3 | - | 0.3 |
| Total revenues and other income | 542.4 | 594.8 | - | 594.8 |
| Costs and expenses | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 142.0 | 184.1 | - | 184.1 |
| Depreciation expense | 101.1 | 105.0 | - | 105.0 |
| General and administrative expenses | 11.6 | 19.4 | (3.7) (g) | 15.7 |
| Total costs and expenses | 254.7 | 308.5 | (3.7) | 304.8 |
| Income from operations | 287.7 | 286.3 | 3.7 | 290.0 |
| Earnings from equity investments | 0.5 | 0.5 | - | 0.5 |
| Interest expense, net | 1.6 | 44.2 | 31.8 (h) | 76.0 |
| Income before income taxes | 286.6 | 242.6 | (28.1) | 214.5 |
| Provision (benefit) for income taxes | - | - | 3.3 (i) | 3.3 |
| Net income | 286.6 | 242.6 | (31.4) | 211.2 |
| Less: Net income attributable to net parent investment | - | 0.4 | (0.4) (a) | - |
| Less: Net income attributable to noncontrolling interest | 232.6 | 50.6 | 150.4 (j) | 201.0 |
| Net income attributable to the Partnership | 54.0 | 191.6 | (181.4) | 10.2 |
| Less: General partner's interest in net income attributable to the Partnership | 3.1 | - | - | - |
| Limited partners' interest in net income attributable to the Partnership | $ 50.9 | $ 191.6 | $ (181.4) | $ 10.2 |
| | | | | |
| Net income per common unit/share: | | | | |
| Basic | $ 0.93 | | | $ 0.57 |
| Diluted | $ 0.93 | | | $ 0.56 |
| Weighted average number of units/shares outstanding: | | | | |
| Basic | 54.6 | | (36.6) (k) | 18.0 |
| Diluted | 54.7 | | (36.6) (k) | 18.1 |

(1) Presented for information purposes. See Note 1.
(2) Pro forma adjustments were applied to Hess Infrastructure Partners' historical financial statements. See Note 1.

See accompanying notes to unaudited pro forma condensed combined financial statements.

## HESS MIDSTREAM LP
## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

| | Year Ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| *(in millions, except per-unit amounts)* | Hess Midstream Partners LP (1) | Hess Infrastructure Partners LP (2) | Pro forma adjustments | | Pro forma New HESM |
| Revenues and other income | | | | | |
| Affiliate services | $ 661.7 | $ 712.0 | $ - | | $ 712.0 |
| Other income | 0.7 | 0.7 | - | | 0.7 |
| Total revenues and other income | 662.4 | 712.7 | - | | 712.7 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 154.3 | 193.5 | - | | 193.5 |
| Depreciation expense | 123.0 | 126.9 | - | | 126.9 |
| General and administrative expenses | 11.5 | 14.1 | - | | 14.1 |
| Total costs and expenses | 288.8 | 334.5 | - | | 334.5 |
| Income from operations | 373.6 | 378.2 | - | | 378.2 |
| Interest expense, net | 1.3 | 53.3 | 42.2 | (h) | 95.5 |
| Gain on sale of property, plant and equipment | - | 0.6 | - | | 0.6 |
| Income before income taxes | 372.3 | 325.5 | (42.2) | | 283.3 |
| Provision (benefit) for income taxes | - | - | 4.4 | (i) | 4.4 |
| Net income | 372.3 | 325.5 | (46.6) | | 278.9 |
| Less: Net income attributable to net parent investment | - | 6.6 | (6.6) | (a) | - |
| Less: Net income attributable to noncontrolling interest | 301.5 | 69.3 | 196.1 | (j) | 265.4 |
| Net income attributable to the Partnership | 70.8 | 249.6 | (236.1) | | 13.5 |
| Less: General partner's interest in net income attributable to the Partnership | 1.7 | - | - | | - |
| Limited partners' interest in net income attributable to the Partnership | $ 69.1 | $ 249.6 | $ (236.1) | | $ 13.5 |
| | | | | | |
| Net income per common unit/share: | | | | | |
| Basic | $ 1.27 | | | | $ 0.75 |
| Diluted | $ 1.27 | | | | $ 0.75 |
| Weighted average number of units/shares outstanding: | | | | | |
| Basic | 54.6 | | (36.6) | (k) | 18.0 |
| Diluted | 54.7 | | (36.6) | (k) | 18.1 |

(1) Presented for information purposes. See Note 1.
(2) Pro forma adjustments were applied to Hess Infrastructure Partners' historical financial statements. See Note 1.

See accompanying notes to unaudited pro forma condensed combined financial statements.

# HESS MIDSTREAM LP
## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

| *(in millions, except per-unit amounts)* | Year Ended December 31, 2017 Hess Midstream Partners LP (1) | Hess Infrastructure Partners LP (2) | Pro forma adjustments | | Pro forma New HESM |
|---|---|---|---|---|---|
| Revenues and other income | | | | | |
| Affiliate services | $ 565.6 | $ 579.5 | $ - | | $ 579.5 |
| Other income | 0.2 | - | - | | - |
| Total revenues and other income | 565.8 | 579.5 | - | | 579.5 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 158.4 | 186.0 | - | | 186.0 |
| Depreciation expense | 113.1 | 116.5 | - | | 116.5 |
| General and administrative expenses | 8.1 | 13.9 | - | | 13.9 |
| Total costs and expenses | 279.6 | 316.4 | - | | 316.4 |
| Income from operations | 286.2 | 263.1 | - | | 263.1 |
| Interest expense, net | 1.4 | 25.8 | 75.5 | (h) | 101.3 |
| Gain on sale of property, plant and equipment | - | 4.7 | - | | 4.7 |
| Income before income taxes | 284.8 | 242.0 | (75.5) | | 166.5 |
| Provision (benefit) for income taxes | - | - | 4.0 | (i) | 4.0 |
| Net income | 284.8 | 242.0 | (79.5) | | 162.5 |
| Less: Net income attributable to net parent investment | 68.2 | (17.8) | 17.8 | (a) | - |
| Less: Net income attributable to noncontrolling interest | 175.4 | 40.4 | 115.6 | (j) | 156.0 |
| Net income attributable to the Partnership | 41.2 | 219.4 | (212.9) | | 6.5 |
| Less: General partner's interest in net income attributable to the Partnership | 0.8 | - | - | | - |
| Limited partners' interest in net income attributable to the Partnership | $ 40.4 | $ 219.4 | $ (212.9) | | $ 6.5 |
| | | | | | |
| Net income per common unit/share: | | | | | |
| Basic | $ 0.75 | | | | $ 0.36 |
| Diluted | $ 0.75 | | | | $ 0.36 |
| Weighted average number of units/shares outstanding: | | | | | |
| Basic | 53.8 | | (35.8) | (k) | 18.0 |
| Diluted | 53.8 | | (35.8) | (k) | 18.0 |

(1) Presented for information purposes. See Note 1.
(2) Pro forma adjustments were applied to Hess Infrastructure Partners' historical financial. See Note 1.

See accompanying notes to unaudited pro forma condensed combined financial statements.

## HESS MIDSTREAM LP
## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

| *(in millions, except per-unit amounts)* | Year Ended December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Hess Midstream Partners LP (1) | Hess Infrastructure Partners LP (2) | Pro forma adjustments | | Pro forma New HESM |
| Revenues and other income | | | | | |
| Affiliate services | $ 509.8 | $ 510.0 | $ - | | $ 510.0 |
| Other income | - | - | - | | - |
| Total revenues and other income | 509.8 | 510.0 | - | | 510.0 |
| Costs and expenses | | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 193.4 | 219.8 | - | | 219.8 |
| Depreciation expense | 99.7 | 105.8 | - | | 105.8 |
| Impairment loss | - | 66.7 | - | | 66.7 |
| General and administrative expenses | 10.4 | 17.4 | - | | 17.4 |
| Total costs and expenses | 303.5 | 409.7 | - | | 409.7 |
| Income from operations | 206.3 | 100.3 | - | | 100.3 |
| Interest expense, net | 1.4 | 18.7 | 83.2 | (h) | 101.9 |
| Income (loss) before income taxes | 204.9 | 81.6 | (83.2) | | (1.6) |
| Provision (benefit) for income taxes | - | - | - | (i) | - |
| Net income (loss) | 204.9 | 81.6 | (83.2) | | (1.6) |
| Less: Net income (loss) attributable to net parent investment | - | (40.3) | 40.3 | (a) | - |
| Less: Net income (loss) attributable to noncontrolling interest | - | - | (1.5) | (j) | (1.5) |
| Net income (loss) attributable to the Partnership | $ 204.9 | $ 121.9 | $ (122.0) | | $ (0.1) |
| | | | | | |
| Net income (loss) per common unit/share: | | | | | |
| Basic | * | | | | $ (0.01) |
| Diluted | * | | | | $ (0.01) |
| Weighted average number of units/shares outstanding: | | | | | |
| Basic | * | | 18.0 | (k) | 18.0 |
| Diluted | * | | 18.0 | (k) | 18.0 |

*Hess Midstream Partners LP had no shares outstanding until its public offering in April 2017.

(1) Presented for information purposes. See Note 1.
(2) Pro forma adjustments were applied to Hess Infrastructure Partners' historical financial statements. See Note 1.

See accompanying notes to unaudited pro forma condensed combined financial statements.

**Note 1. Basis of Presentation**

The unaudited pro forma condensed combined financial statements were prepared as if the Transactions had occurred on September 30, 2019 in the case of the unaudited pro forma condensed combined balance sheet, and as of January 1, 2016 in the case of the unaudited pro forma condensed combined statements of operations. As discussed further in the notes to unaudited pro forma condensed combined financial statements, the Transactions include:

- the formation of Hess Midstream GP LP and New HESM by Hess Infrastructure Partners GP LLC, which is owned 50/50 by affiliates of Hess Corporation ("Hess") and Global Infrastructure Partners ("GIP"), each under the laws of the State of Delaware. New HESM elected to be treated as a corporation for federal income tax purposes effective on the day of formation;
- the merger of HESM with and into Hess Midstream New Ventures LLC, a wholly owned subsidiary of New HESM, with HESM surviving;
- the issuance of one Class A share (economic and voting) of New HESM ("New HESM Class A Share") to HESM's public unitholders in exchange for each outstanding common unit of HESM ("HESM Common Unit") held by such public unitholders immediately prior to the merger;
- the issuance of 266,416,928 Class B shares (voting only) of New HESM ("New HESM Class B Shares") to New HESM GP LP for consideration of $0.0001 per share, or $26,642 in total;
- the contribution by affiliates of Hess and GIP of (i) the non-economic general partner interest in HIP and each of Hess' and GIP's 50% interests in HIP, which in turn owns (A) the 2% general partner interest in HESM, (B) the HESM IDRs, (C) 80% noncontrolling economic interests in each of Hess North Dakota Pipeline Operations LP ("Gathering Opco"), Hess TGP Operations LP ("HTGP Opco") and Hess North Dakota Export Logistics Operations LP ("Logistics Opco"), and (D) 100% economic interest in Hess Water Services, to HESM and (ii) 897,998 HESM Subordinated Units and two HESM Common Units to New HESM in exchange for 898,000 New HESM Class A Shares;
- the contribution by affiliates of Hess and GIP of the limited partner interests in HIP to HESM in exchange for 229,752,618 HESM Common Units, with Hess and GIP receiving 114,876,309 HESM Common Units each;
- the exchange of outstanding HIP's and Hess Infrastructure Partners Finance Corporation's $800.0 million 5.625% Senior Notes due 2026 for $800.0 million 5.625% senior notes issued by HESM, and the issuance of $500.0 million aggregate principal amount of new senior notes due 2027 by HESM;
- the refinancing of HIP's $200.0 million Term Loan A facility and $600.0 million of revolving credit facility and HESM's $300.0 million of revolving credit facility with a new $400.0 million Term Loan A and $1.0 billion revolving credit facility;
- the payment of cash consideration estimated to be approximately $548.6 million at September 30, 2019 from debt proceeds and cash on hand distributed 50% to each of Hess and GIP; and;
- the delegation of control of HESM by MLP GP LP, as the general partner of HESM, to New HESM.

As a result of the above Transactions, New HESM will own an approximate 6.32% controlling economic interest in HESM and will consolidate HESM, which will qualify as a variable interest entity in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). New HESM will have no independent assets or operations, other than its controlling economic interest in HESM. Hess and GIP will each own an approximate 46.84% noncontrolling economic interest in HESM. HESM will also indirectly own 100% of the economic interest in all of the operating companies, including Gathering Opco, HTGP Opco, Logistics Opco, Hess Mentor Storage Holdings LLC and Hess Water Services.

Prior to the effect of the Transactions, HIP consolidated the activities of HESM, which qualified as a variable interest entity under U.S. GAAP, and there were no remaining intercompany balances between HIP and HESM after consolidation into HIP. Therefore, we applied pro forma adjustments to the historical consolidated financial statements of HIP, and the historical financial statements for HESM are presented for information purposes only. The Transactions are treated for accounting purposes as equity transactions among entities under common control and are recorded at the historic carrying values of the assets, liabilities and equity interests of the parties to the Transactions. There is no historical activity with respect to New HESM, and accordingly, no adjustments were required with respect to this entity in the unaudited pro forma condensed combined financial statements.

No effect was given to the conversion of phantom unit awards outstanding under HESM's long-term incentive plan, which awards will each be converted into a phantom unit denominated in New HESM Class A Shares, with substantially the same terms and conditions (including with respect to vesting).

**Note 2. Pro Forma Adjustments and Assumptions**

The pro forma adjustments and assumptions are as follows:

(a) Reflects the elimination of historical partners' capital and noncontrolling interest and their reclassification to New HESM's Class A shares, Class B shares and noncontrolling interest. Also reflects the elimination of historical net income attributable to net parent investment associated with Hess' historical investment in Hess Water Services.

(b) The table below summarizes the pro forma adjustments to total partners' capital based on the expected ownership percentage in New HESM at the date of the Transactions.

(in millions)

| | | |
|---|---|---|
| Historical partners' capital | $ | 1,339.8 |
| Historical noncontrolling interest | | 490.8 |
| Recognition of deferred income tax | | 43.1 |
| Distribution to Sponsors | | (548.6) |
| Transaction costs(1) | | (20.0) |
| Pro forma capitalization | $ | 1,305.1 |
| Allocation of pro forma capitalization: | | |
| Class A shares (17,960,655 shares issued and outstanding at September 30, 2019 on a pro forma combined basis) | $ | 157.5 |
| Class B shares (266,416,928 shares issued and outstanding at September 30, 2019 on a pro forma combined basis) | | - |
| Noncontrolling interest | | 1,147.6 |
| Pro forma capitalization | $ | 1,305.1 |

(1) Reflects estimated transaction costs directly attributable to the Transactions. The transaction costs include fees related to financial advisory, legal and other professional services, and other costs related to the Transactions.

(c) Reflects the following adjustments to cash, assuming the transaction were to close on September 30, 2019:

(in millions)

| Sources | | | Uses | | |
|---|---|---|---|---|---|
| Incurrence of new borrowings | $ | 960.0 | Payment of cash consideration from debt proceeds and cash on hand | $ | 548.6 |
| HIP's cash on hand | | 3.6 | Repayment of historical outstanding borrowings | | 355.0 |
| | | | Transaction costs | | 20.0 |
| | | | Debt origination fees | | 40.0 |
| Total sources | $ | 963.6 | Total uses | $ | 963.6 |

(d) Reflects recognition of the estimated deferred tax asset as a result of New HESM electing to be a taxable entity. The deferred tax asset is primarily associated with the difference in the U.S. GAAP and tax carrying value of New HESM's investment in HESM.

(e) Reflects $11.0 million of origination fees associated with entering into a new $1.0 billion revolving credit facility in connection with the Transactions. We expect that $71.0 million of the revolving credit facility will be drawn at closing, including $60.0 million of new borrowings and $11.0 million of HESM revolver balance outstanding at September 30, 2019.

(f) Reflects the issuance of $500.0 million senior notes by HESM and refinancing of the credit facilities as following:

| (in millions) | Repayment of Historical Debt | Incurrence of New Debt | Net Pro Forma Adjustments |
|---|---|---|---|
| Exchanged notes | $ (800.0) | $ 800.0 | - |
| Fixed-rate senior notes | - | 500.0 | 500.0 |
| Term Loan A facility | (190.0) | 400.0 | 210.0 |
| Revolving credit facility | (165.0) | 60.0 | (105.0) |
| Less: origination fees | - | (29.0) | (29.0) |
| Total debt | $ (1,155.0) | $ 1,731.0 | $ 576.0 |

(g) Reflects the elimination of nonrecurring transaction costs incurred during the nine-month period ended September 30, 2019, of $3.7 million that are directly related to the Transactions.

(h) Reflects the adjustments to interest expense related to the refinanced credit facilities as discussed in footnote (f) and the removal of interest expenses related to our historical credit facilities:

| (in millions) | Nine Months Ended September 30, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|---|---|
| Interest expense(1) | $ 66.6 | $ 88.8 | $ 88.8 | $ 88.8 |
| Facility fees(2) | 2.3 | 3.0 | 3.0 | 3.0 |
| Amortization of debt origination fees | 7.6 | 10.1 | 10.1 | 10.1 |
| Pro forma interest expense | 76.5 | 101.9 | 101.9 | 101.9 |
| Less: historical interest expense | (44.7) | (59.7) | (26.4) | (18.7) |
| Pro forma interest expense adjustment | $ 31.8 | $ 42.2 | $ 75.5 | $ 83.2 |

(1) The interest rates on Term Loan A and revolving credit facilities assumed for purposes of preparing this pro forma financial information are 3.45% and 3.15%, respectively. These rates comprise the one-month LIBOR rate of 1.77% as of November 1, 2019, plus certain margins. A 1/8% increase in interest rates would result in a change in interest expense of approximately $0.3 million for the nine months ended September 30, 2019 and for each of the years in the three-year period ended December 31, 2018. The interest rate on $500 million senior notes assumed for purposes of preparing this pro forma financial information is 5.5%; however, the actual rate may differ from the pro forma rate.

(2) Represents the 0.3% annual facility fees based on the terms of our revolving credit facility associated with the total capacity on our new 5-year, $1.0 billion revolving credit facility. We expect that $71.0 million of the revolving credit facility will be drawn at closing, including $60.0 million of new borrowings and $11.0 million of HESM revolver balance outstanding at September 30, 2019.

(i) Reflects the impact of income taxes resulting from the Transactions based on the estimated effective rate reflecting blended federal and state statutory tax rate, but excluding income associated with noncontrolling interests which is not taxable to New HESM, of 2.4% for the years ended December 31, 2017 and 2016 and 1.6% for the year ended December 31, 2018 and the nine months ended September 30, 2019.

(j) Reflects Hess' and GIP's 93.68% noncontrolling economic interest in HESM.

(k) Reflects the issuance of 17,062,655 and 898,000 Class A shares of New HESM to public unitholders and New HESM GP LP, respectively, in exchange for HESM's units outstanding prior to the Transactions. Units outstanding prior to the effect of the Transactions include 17,062,655 public units and 37,562,308 affiliate units. Shares outstanding subsequent to the effect of the Transactions include a total of 17,960,655 Class A shares. The calculation of the weighted average shares outstanding for basic and diluted net income per share assumes that these Class A shares were issued on January 1, 2016 and were outstanding for the entire period presented. The calculation of diluted net income per share includes historical weighted average phantom unit awards outstanding under HESM's long-term incentive plan, which are assumed to be converted to Class A shares upon their vesting.

Exhibit 99.5

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED FINANCIAL STATEMENTS**
**For the Years Ended December 31, 2018, 2017, and 2016**

## TABLE OF CONTENTS

**Pa Nu**

# REPORT OF INDEPENDENT AUDITORS

**To the Board of Directors of**
**Hess Infrastructure Partners LP**

We have audited the accompanying consolidated financial statements of Hess Infrastructure Partners LP (the “Partnership”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in partners’ capital and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the consolidated financial statements.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hess Infrastructure Partners LP at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, TX

October 4, 2019

## HESS INFRASTRUCTURE PARTNERS LP
## CONSOLIDATED BALANCE SHEETS

| (in millions) | December 31, 2018 (1) | December 31, 2017 (1) |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 109.3 | $ 355.7 |
| Accounts receivable—affiliate: | | |
| From contracts with customers | 67.3 | 61.4 |
| Other receivables | 0.5 | 0.1 |
| Other current assets | 3.3 | 6.0 |
| Total current assets | 180.4 | 423.2 |
| Equity Investments | 67.3 | - |
| Property, plant and equipment, net | 2,735.3 | 2,588.6 |
| Long-term receivable—affiliate | 1.3 | 1.5 |
| Other noncurrent assets | 6.9 | 9.1 |
| Total assets | $ 2,991.2 | $ 3,022.4 |
| Liabilities | | |
| Accounts payable—trade | $ 18.6 | $ 14.6 |
| Accounts payable—affiliate | 15.8 | 22.2 |
| Accrued liabilities | 85.6 | 40.3 |
| Current maturities of long-term debt | 11.3 | 2.5 |
| Other current liabilities | 6.8 | 7.0 |
| Total current liabilities | 138.1 | 86.6 |
| Long-term debt | 969.8 | 977.9 |
| Other noncurrent liabilities | 7.2 | 5.6 |
| Total liabilities | 1,115.1 | 1,070.1 |
| Partners' capital—Hess Corporation | 655.5 | 687.1 |
| Partners' capital—GIP | 648.8 | 689.6 |
| Noncontrolling interest | 502.1 | 506.0 |
| Accumulated other comprehensive income | 1.2 | 1.6 |
| Net parent investment | 68.5 | 68.0 |
| Total partners' capital | 1,876.1 | 1,952.3 |
| Total liabilities and partners' capital | $ 2,991.2 | $ 3,022.4 |

(1) The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.

See accompanying notes to consolidated financial statements.

## HESS INFRASTRUCTURE PARTNERS LP
## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2018 (1) | 2017 (1) | 2016 (1) |
| Revenues and other income | | | |
| Affiliate services | $ 712.0 | $ 579.5 | $ 510.0 |
| Other income | 0.7 | - | - |
| Total revenues and other income | 712.7 | 579.5 | 510.0 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 193.5 | 186.0 | 219.8 |
| Depreciation expense | 126.9 | 116.5 | 105.8 |
| Impairment loss | - | - | 66.7 |
| General and administrative expenses | 14.1 | 13.9 | 17.4 |
| Total costs and expenses | 334.5 | 316.4 | 409.7 |
| Income from operations | 378.2 | 263.1 | 100.3 |
| Interest expense, net | 53.3 | 25.8 | 18.7 |
| Gain on sale of property, plant and equipment | 0.6 | 4.7 | - |
| Net income | 325.5 | 242.0 | 81.6 |
| Less: Net income (loss) attributable to net parent investment | 6.6 | (17.8) | (40.3) |
| Less: Net income attributable to noncontrolling interest | 69.3 | 40.4 | - |
| Net income attributable to Hess Infrastructure Partners LP | $ 249.6 | $ 219.4 | $ 121.9 |

(1) The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.

See accompanying notes to consolidated financial statements.

## HESS INFRASTRUCTURE PARTNERS LP
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 (1) | 2017 (1) | 2016 (1) |
| (in millions) | | | |
| Net income | $ 325.5 | $ 242.0 | $ 81.6 |
| Other comprehensive income | | | |
| Changes in fair value of cash flow hedges | - | 3.3 | - |
| Effect of hedge (gains) losses reclassified to income | (0.4) | (1.7) | - |
| Total other comprehensive income | (0.4) | 1.6 | - |
| Comprehensive income | 325.1 | 243.6 | 81.6 |
| Less: Comprehensive income (loss) attributable to net parent investment | 6.6 | (17.8) | (40.3) |
| Less: Comprehensive income attributable to noncontrolling interest | 69.3 | 40.4 | - |
| Comprehensive income attributable to Hess Infrastructure Partners LP | $ 249.2 | $ 221.0 | $ 121.9 |

(1) The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.

See accompanying notes to consolidated financial statements.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**

| (in millions) | Hess Corporation | GIP | Non-Controlling Interest | Accumulated Other Comprehensive Income | Net Parent Investment (1) | Total (1) |
|---|---|---|---|---|---|---|
| Balance, December 31, 2015 | $ 787.7 | $ 787.7 | $ - | $ - | 60.9 | $ 1,636.3 |
| Net income (loss) | 67.6 | 54.3 | - | - | (40.3) | 81.6 |
| Contributions from partners | 50.3 | 50.4 | - | - | - | 100.7 |
| Distributions to partners | (26.1) | (22.9) | - | - | - | (49.0) |
| Other contributions (distributions) | - | - | - | - | 40.3 | 40.3 |
| Balance, December 31, 2016 | $ 879.5 | $ 869.5 | $ - | $ - | $ 60.9 | $ 1,809.9 |
| Contribution of net assets to Hess Midstream Partners LP | (245.9) | (245.9) | 491.8 | - | - | - |
| Proceeds from issuance of Hess Midstream Partners LP units | - | - | 365.5 | - | - | 365.5 |
| Distributions of proceeds from Hess Midstream Partners LP IPO | - | - | (349.5) | - | - | (349.5) |
| Hess Midstream Partners LP offering costs | - | - | (10.7) | - | - | (10.7) |
| Net income (loss) | 105.5 | 113.9 | 40.4 | - | (17.8) | 242.0 |
| Other comprehensive income (loss) | - | - | - | 1.6 | - | 1.6 |
| Unit-based compensation | - | - | 0.2 | - | - | 0.2 |
| Distributions to partners and noncontrolling interest | (52.1) | (47.9) | (31.7) | - | - | (131.7) |
| Other contributions (distributions) | 0.1 | - | - | - | 24.9 | 25.0 |
| Balance, December 31, 2017 | $ 687.1 | $ 689.6 | $ 506.0 | $ 1.6 | $ 68.0 | $ 1,952.3 |
| Net income (loss) | 128.4 | 121.2 | 69.3 | - | 6.6 | 325.5 |
| Other comprehensive income (loss) | - | - | - | (0.4) | - | (0.4) |
| Unit-based compensation | | | 0.9 | | - | 0.9 |
| Distributions to partners and noncontrolling interest | (160.0) | (162.0) | (74.1) | - | - | (396.1) |
| Other contributions (distributions) | - | - | - | - | (6.1) | (6.1) |
| Balance, December 31, 2018 | $ 655.5 | $ 648.8 | $ 502.1 | $ 1.2 | $ 68.5 | $ 1,876.1 |

(1) The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.

See accompanying notes to consolidated financial statements.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (in millions) | Year Ended December 31, 2018 (1) | 2017 (1) | 2016 (1) |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 325.5 | $ 242.0 | $ 81.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 126.9 | 116.5 | 105.8 |
| Impairment | - | - | 66.7 |
| (Gain) loss on sale of property, plant and equipment | (0.6) | (4.7) | - |
| (Gain) loss on interest rate swaps | (0.4) | (1.7) | - |
| Amortization of deferred financing costs | 5.0 | 3.8 | 3.4 |
| Unit-based compensation | 0.9 | 0.2 | - |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (6.3) | (16.9) | 3.4 |
| Other current and noncurrent assets | 1.9 | 1.2 | 1.7 |
| Accounts payable—trade | 4.0 | (16.7) | (10.5) |
| Accounts payable—affiliate | (6.4) | 7.5 | (3.8) |
| Accrued liabilities | 17.3 | 3.2 | 2.7 |
| Other current and noncurrent liabilities | (0.9) | 2.1 | (3.5) |
| Net cash provided by (used in) operating activities | 466.9 | 336.5 | 247.5 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (67.3) | - | - |
| Proceeds from sale of property, plant and equipment | 1.6 | 12.8 | - |
| Additions to property, plant and equipment | (241.9) | (144.2) | (268.6) |
| Net cash provided by (used in) investing activities | (307.6) | (131.4) | (268.6) |
| Cash flows from financing activities | | | |
| Proceeds from (repayments of) bank borrowings - revolver | - | (153.0) | 43.0 |
| Repayments of bank borrowings - term loan | (2.5) | (385.0) | (15.0) |
| Proceeds from issuance of fixed-rate senior notes | - | 800.0 | - |
| Financing costs | (1.0) | (22.9) | - |
| Proceeds from issuance of common units of Hess Midstream Partners LP, net of underwriters' discounts | - | 365.5 | - |
| Cash offering costs | - | (2.1) | - |
| Distributions to partners | (322.0) | (100.0) | (49.0) |
| Distributions to noncontrolling interest | (74.1) | (381.2) | - |
| Other contributions from (distributions to) partners | (6.1) | 27.6 | 40.5 |
| Net cash provided by (used in) financing activities | (405.7) | 148.9 | 19.5 |
| Net increase (decrease) in cash and cash equivalents | (246.4) | 354.0 | (1.6) |
| Cash and cash equivalents at beginning of period | 355.7 | 1.7 | 3.3 |
| Cash and cash equivalents at end of period | $ 109.3 | $ 355.7 | $ 1.7 |
| Supplemental disclosures of non-cash investing and financing activities: | | | |
| (Increase) decrease in accrued capital expenditures | (29.4) | 25.9 | (4.2) |
| Removal of historical capitalized offering costs | - | 8.6 | - |
| Contribution of property, plant and equipment | - | - | 97.0 |
| Other non-cash contributions from (distributions to) partners | - | - | 3.5 |

(1) The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.

See accompanying notes to consolidated financial statements.

*The financial information presented has been retrospectively adjusted for acquisitions of businesses under common control. See Note 1.*

**Note 1. Description of Business**

*Description of Business.* Hess Infrastructure Partners LP ("HIP LP" or the "Partnership") is a 50/50 joint venture between Hess Corporation ("Hess") and GIP II Blue Holding Partnership, LP ("GIP") formed to own, operate, develop and acquire a diverse set of midstream assets to provide fee-based services to Hess and third-party customers. The partnership was initially formed by Hess on May 21, 2015, as a Delaware limited partnership.

*Initial Public Offering of Hess Midstream Partners LP.* On April 10, 2017, the Partnership completed an initial public offering ("IPO") of 16,997,000 common units, representing 30.5% limited partner interests in its subsidiary, Hess Midstream Partners LP ("Hess Midstream Partners"), for net proceeds of approximately $365.5 million, after deducting the underwriters' discounts and structuring fees of $25.4 million. In connection with the IPO, HIP LP contributed a 20% controlling economic interest in each of Hess North Dakota Pipeline Operations LP ("Gathering Opco"), Hess TGP Operations LP ("HTGP Opco") and Hess North Dakota Export Logistics Operations LP ("Logistics Opco") and a 100% economic interest in Hess Mentor Storage Holdings LLC ("Mentor Holdings"), (collectively, the "Contributed Businesses") to Hess Midstream Partners. In exchange for the Contributed Businesses, Hess Infrastructure Partners 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;
- A 2% general partner interest in the Partnership, and
- An aggregate cash distribution of approximately $350.6 million.

Hess Infrastructure Partners subsequently distributed all of the common units, subordinated units and $349.5 million of cash proceeds to Hess and GIP.

*LM4 Joint Venture.* On January 25, 2018, the Partnership entered into a 50/50 joint venture with Targa Resources Corp. to construct a new 200 million standard cubic feet per day gas processing plant called Little Missouri 4 ("LM4"). The Partnership's 50% interest in the joint venture is held through HTGP Opco, in which Hess Midstream Partners owns a 20% controlling economic interest and HIP LP owns the remaining 80% economic interest. Targa Resources Corp. is managing the construction of LM4 and will operate the plant when completed. As of December 31, 2018, the plant was under construction and is estimated by the operator, Targa Resources Corp., to be completed in the third quarter of 2019.

On March 1, 2019, the Partnership acquired Hess's existing Bakken water services business ("Hess Water Services"). The acquisition of Hess Water Services from Hess was accounted for as an acquisition of a business under common control. Accordingly, our consolidated financial statements prior to the acquisition date of March 1, 2019 were retrospectively recast to include the financial results of Hess Water Services. See Note 3, Acquisitions.

Our assets and operations are organized into the following three segments: (1) gathering, (2) processing and storage and (3) terminaling and export (see Note 14, Segments).

The terms "we," "our" and "us" as used in the footnotes refer collectively to HIP LP 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 Partnership.

**Note 2. Summary of Significant Accounting Policies and Basis of Presentation**

*Principles of Consolidation.* The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries on a consolidated basis. We consolidate the accounts of entities over which we have a controlling financial interest through our ownership of the general partner or the majority voting interests of the entity. All intercompany transactions and balances within the Partnership have been eliminated.

*Use of Estimates.* We prepare our consolidated financial statements in conformity with the U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years presented. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates.

*Common Control Transactions.* Assets and businesses acquired from Hess and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with net assets of the Partnership at Hess's historical carrying value. If any recognized consideration transferred in such a transaction exceeds the carrying value of the net assets acquired, the excess is treated as a capital distribution to Hess, similar to a dividend. To the extent that such transactions require prior periods to be retrospectively adjusted, historical net equity amounts prior to the transaction date are reflected in "Net Parent Investment." Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our consolidated statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows.

*Cash and Cash Equivalents.* Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less when acquired.

*Accounts Receivable.* We record affiliate accounts receivable upon performance of services to affiliated companies. Generally, we receive payments from affiliated companies on a monthly basis, shortly after performance of services. There were no doubtful accounts written off, nor have we provided an allowance for doubtful accounts, as of December 31, 2018 and 2017.

*Property, Plant and Equipment.* Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation subject to the results of impairment testing. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect construction costs include general engineering, taxes and the cost of funds used during construction. Costs, including complete asset replacements and enhancements or upgrades that increase the original efficiency, productivity or capacity of property, plant and equipment, are also capitalized. The costs of repairs, minor replacements and maintenance projects, which do not increase the original efficiency, productivity or capacity of property, plant and equipment, are expensed as incurred.

*Capitalization of Interest.* Interest charges from borrowings are capitalized on material projects using the weighted average cost of outstanding borrowings until the project is substantially complete and ready for its intended use. Capitalized interest is depreciated over the useful lives of the assets in the same manner as the depreciation of the underlying assets.

*Impairment of Long-Lived Assets.* We review long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' net book value. Undiscounted cash flows are based on identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If impairment occurs, a loss is recognized for the difference between the fair value and net book value. Such fair value is generally determined by discounting anticipated future net cash flows, an income valuation approach, or by a market-based valuation approach, which are Level 3 fair value measurements. Factors that indicate potential impairment include a significant decrease in the market value of the asset, operating or cash flow losses associated with the use of the asset, and a significant change in the asset's physical condition or use. See Note 7, Impairment.

*Equity Investments*. We account for our investment in LM4 under the equity method of accounting, as we do not control, but have a significant influence over, its operations. As of December 31, 2018, we contributed $67.3 million of cash for our gross interest in LM4. We do not have a basis difference between the amount at which the investment is carried and the amount of underlying equity in net assets of the investee.

*Deferred Financing Costs.* We capitalize debt issuance costs and fees incurred related to the procurement of our fixed-rate senior notes and other credit facilities. We amortize such costs as additional interest expense over the lives of our credit agreements using the straight-line method, which approximates the effective interest method. Unamortized deferred financing costs related to our revolving credit facility are presented in Other noncurrent assets (2018—$6.9 million, 2017—$9.1 million) and unamortized deferred financing costs related to our fixed-rate senior notes and our term loan are presented as a direct reduction to the Long-term debt (2018—$16.5 million, 2017—$19.6 million) in the accompanying consolidated balance sheets.

*Asset Retirement Obligations.* We record legal obligations to remove and dismantle long-lived assets. We recognize a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred if the liability can be reasonably estimated. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. Accretion expense is included in Depreciation expense in the consolidated statement of operations. We have not incurred significant asset retirement obligations.

*Net Parent Investment.* In the accompanying consolidated balance sheets, Net parent investment represents Hess's historical investment in Hess Water Services, the accumulated net earnings through the date when we obtained control of Hess Water Services, and the net effect of transactions between Hess and Hess Water Services. Retrospectively adjusted financial information from prior to the acquisition of Hess Water Services is included in Net parent investment.

*Revenue Recognition—Contracts with Customers.* We earn 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, gathering and disposing saltwater, and storing and terminaling propane. We do not own or take title to the volumes that we handle. Effective January 1, 2014, we entered into i) gas gathering, ii) crude oil gathering, iii) gas processing and fractionation, iv) storage services, and v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. In 2018 and partial year 2017, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided saltwater gathering and disposal services and charged agreed-upon fees per barrel for the services performed. Hess Water Services did not earn any revenues during the year ended December 31, 2016, since at that time, it was part of the integrated operations of Hess and documented intercompany arrangements did not exist that would have provided a fixed and determinable price and evidence of arrangement.

Our responsibilities to provide each of the above services for each year under each of the commercial agreements are considered separate, distinct performance obligations. We recognize revenues for each performance obligation under our commercial agreements over-time as services are rendered using the output method, measured using the amount of volumes serviced during the period. The minimum volume commitments are subject to fluctuation based on nominations covering substantially all of Hess's production and projected third-party volumes that will be purchased in the Bakken. As the minimum volume commitments are subject to fluctuation, and these commercial agreements contain fee inflation escalators and fee recalculation mechanisms, substantially all of the transaction price, as this term is defined in ASC 606, is variable at inception of each of the commercial agreements. As the variability is resolved prior to the recognition of revenue, we do not apply a constraint to the transaction price at the inception of the commercial agreements. We elected the practical expedient to recognize revenue in the amount to which we have a right to invoice as permitted under ASC 606. Due to this election and as the transaction price allocated to our unsatisfied performance obligations is entirely variable, we have elected the exemption provided by ASC 606 from the disclosure of revenue recognizable in future periods as our unsatisfied performance obligations are fulfilled. There are no significant financing components in any of our commercial agreements.

The minimum volumes that Hess provides to our assets under our commercial agreements include dedicated production covering substantially all of Hess's existing and future owned or controlled production in the Bakken and projected third-party volumes owned or controlled by Hess through dedicated third-party contracts. If Hess delivers volumes less than the applicable minimum volume commitments under our commercial agreements during any quarter, Hess is obligated to pay us a shortfall fee equal to the volume deficiency multiplied by the related gathering, processing and/or terminaling fee, as applicable. Our responsibility to stand-ready to service a minimum volume over each quarterly commitment period represents a separate, distinct performance obligation. Currently, and for the remainder of the Initial Term of each commercial agreement as described in Note 5 below, volume deficiencies are measured quarterly and recognized as revenue in the same period, as any associated shortfall payments are not subject to future reduction or offset. During the Secondary Term of each commercial agreement as described in Note 5 below, Hess will be entitled to receive a credit, calculated in barrels or Mcf, as applicable, with respect to the amount of any shortfall fee paid by Hess, which will initially be reported in deferred revenue. Hess may apply such credit against the fees payable for any volumes delivered to us under the applicable agreement in excess of Hess' nominated volumes up to four quarters after such credit is earned. Unused credits by Hess will be recognized as revenue when they expire after four quarters. However, Hess will not be entitled to receive any such credit with respect to crude oil terminaling services under our terminal and export services agreement

Our revenues also included pass-through third-party rail transportation costs, saltwater trucking and disposal costs, and electricity fees for which we recognize revenues in an amount equal to the costs.

*Depreciation Expense.* We calculate depreciation using the straight-line method based on the estimated useful lives after considering salvage values of our assets. Depreciation lives range from 12 to 35 years. However, factors such as maintenance levels, economic conditions impacting the demand for these assets, and regulatory or environmental requirements could cause us to change our estimates, thus impacting the future calculation of depreciation.

*Unit-Based Compensation.* Unit-based compensation issued to the officers, directors and employees 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. Forfeitures are recognized as they occur.

*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.

On March 1, 2019, we acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it was a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the periods following March 1, 2019, Hess Water Services is not taxable itself and is not part of a separate taxable entity; therefore, no income tax provision is recognized.

*Environmental and Legal Contingencies.* We accrue and expense environmental costs on an undiscounted basis to remediate existing conditions related to past operations when the future costs are probable and reasonably estimable.

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.

*Fair Value Measurements*. We measure assets and liabilities requiring fair value presentation using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclose such amounts according to the level of valuation inputs under the following hierarchy:

Level 1: Quoted prices in an active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are directly or indirectly observable.

Level 3: Unobservable inputs that are significant to the fair value of assets or liabilities.

The classification of an asset or liability within the fair value measurement hierarchy is based on the lowest level of input significant to its fair value.

There were no nonrecurring fair value measurements during the years ended December 31, 2018 and 2017. We had short-term financial instruments, primarily cash and cash equivalents, accounts receivable and accounts payable, for which the carrying value approximated their fair value as of December 31, 2018 and 2017.

We had nonrecurring fair value measurements related to impairment of our older specification rail cars during the year ended December 31, 2016. See Note 7, Impairment.

*Derivatives.* We may utilize derivative instruments for financial risk management activities. In these activities, we may use futures, forwards, options and swaps, individually or in combination, to mitigate our exposure to fluctuations in interest rates.

All derivative instruments are recorded at fair value in our consolidated balance sheet. Our policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges are recognized in earnings. Derivatives may be designated as hedges of expected future cash flows or forecasted transactions (cash flow hedges). The effective portion of changes in fair value of derivatives that are designated as cash flow hedges is recorded as a component of other comprehensive income (loss) while the ineffective portion of the changes in fair value is recorded in earnings. Amounts included in Accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in 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. We adopted ASC 606 as of January 1, 2018 using the modified retrospective method that requires application of the new standard prospectively from the date of adoption. The adoption of ASC 606 did not have a material impact on the timing or amount of revenue recognition for our uncompleted contracts at January 1, 2018 based on the requirements of the standard and, as a result, no cumulative effect adjustment was required to be recorded to our partners' capital balance as of January 1, 2018. Accounts receivable from contracts with customers are presented separately in the consolidated balance sheet with the prior year balance recast to conform to the current period presentation.

In February 2016, the FASB issued ASU 2016 02, Leases, as a new ASC Topic, ASC 842. The new standard supersedes ASC 840 and will require the recognition of right-of-use assets and lease liabilities for all leases with lease terms greater than one year, including leases currently treated as operating leases under ASC 840. ASC 842 is effective for us beginning in the first quarter of 2019, with early adoption permitted. We have elected to adopt ASC 842 on January 1, 2019 using the modified retrospective method which allows application of the new standard prospectively from the date of adoption with a cumulative effect adjustment, if any, recorded to partners' capital at the date of adoption. Accordingly, comparative financial statements for periods prior to the adoption date of ASC 842 will not be affected. In addition, we have elected to apply the 'package' of practical expedients allowing us to avoid reassessing whether existing contracts are (or contain) leases, whether the lease classification for existing leases would differ under ASC 842, and whether initial direct costs incurred for existing leases are capitalizable under ASC 842. Finally, we have elected to apply the practical expedient allowing us to avoid reassessing land easements that were not previously accounted for as leases under ASC 840. We have not elected the 'hindsight' practical expedient when determining lease term. We have completed our implementation plan to adopt ASC 842, but we continue to monitor standard setting activity and our internal controls to comply with the accounting and disclosure requirements. Implementation of the new standard on January 1, 2019 is not expected to have a material impact on our consolidated financial statements.

**Note 3. Acquisitions**

***Hess Water Services Acquisition***

On March 1, 2018, the Partnership acquired 100% of the membership interest in Hess Water Services Holdings LLC that owns Hess's existing Bakken water services business for $225.0 million in cash. The Partnership funded the purchase price through a combination of cash on hand and borrowings under its revolving credit facility. In connection with the Hess Water Services acquisition, we acquired the following:

| (in millions) | | |
|---|---|---|
| Property, plant and equipment, net | $ | 70.8 |
| Working capital | $ | (1.2) |
| Asset retirement obligations | $ | (0.7) |
| Net assets acquired | $ | 68.9 |

The transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at Hess's historical carrying value.

Hess Water Services is included in our gathering segment (see Note 14, Segments).

***Retrospective Adjusted Information Tables***

The following tables present our financial position, results of operations and cash flows giving effect to the acquisition of Hess Water Services. The results of Hess Water Services prior to the effective date of the acquisition are included in "Hess Water Services" and the consolidated results are included in "Consolidated Results" within the tables below. Hess Water Services did not have any items of other comprehensive income during the periods presented.

Consolidated Balance Sheets

| (in millions) | Hess Infrastructure Partners LP (1) December 31, 2018 | Hess Water Services (2) December 31, 2018 | Consolidated Results December 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 109.3 | $ - | $ 109.3 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 62.2 | 5.1 | 67.3 |
| Other receivables | 0.5 | - | 0.5 |
| Other current assets | 3.3 | - | 3.3 |
| Total current assets | 175.3 | 5.1 | 180.4 |
| Equity Investments | 67.3 | - | 67.3 |
| Property, plant and equipment, net | 2,664.1 | 71.2 | 2,735.3 |
| Long-term receivable—affiliate | 1.3 | - | 1.3 |
| Other noncurrent assets | 6.9 | - | 6.9 |
| Total assets | $ 2,914.9 | $ 76.3 | $ 2,991.2 |
| **Liabilities** | | | |
| Accounts payable—trade | $ 15.3 | $ 3.3 | $ 18.6 |
| Accounts payable—affiliate | 15.8 | - | 15.8 |
| Accrued liabilities | 81.8 | 3.8 | 85.6 |
| Current maturities of long-term debt | 11.3 | - | 11.3 |
| Other current liabilities | 6.8 | - | 6.8 |
| Total current liabilities | 131.0 | 7.1 | 138.1 |
| Long-term debt | 969.8 | - | 969.8 |
| Other noncurrent liabilities | 6.5 | 0.7 | 7.2 |
| Total liabilities | 1,107.3 | 7.8 | 1,115.1 |
| Partners' capital—Hess Corporation | 655.5 | - | 655.5 |
| Partners' capital—GIP | 648.8 | - | 648.8 |
| Noncontrolling interest | 502.1 | - | 502.1 |
| Accumulated other comprehensive income | 1.2 | - | 1.2 |
| Net parent investment | - | 68.5 | 68.5 |
| Total partners' capital | 1,807.6 | 68.5 | 1,876.1 |
| Total liabilities and partners' capital | $ 2,914.9 | $ 76.3 | $ 2,991.2 |

(1) As previously reported.
(2) The financial position of Hess Water Services as of December 31, 2018.

| (in millions) | December 31, 2017 | | |
|---|---|---|---|
| | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Assets | | | |
| Cash and cash equivalents | $ 355.7 | $ - | $ 355.7 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 58.5 | 2.9 | 61.4 |
| Other receivables | 0.1 | - | 0.1 |
| Other current assets | 6.0 | - | 6.0 |
| Total current assets | 420.3 | 2.9 | 423.2 |
| Equity Investments | | - | - |
| Property, plant and equipment, net | 2,520.5 | 68.1 | 2,588.6 |
| Long-term receivable—affiliate | 1.5 | - | 1.5 |
| Other noncurrent assets | 9.1 | - | 9.1 |
| Total assets | $ 2,951.4 | $ 71.0 | $ 3,022.4 |
| Liabilities | | | |
| Accounts payable—trade | $ 12.6 | $ 2.0 | $ 14.6 |
| Accounts payable—affiliate | 22.2 | - | 22.2 |
| Accrued liabilities | 39.5 | 0.8 | 40.3 |
| Current maturities of long-term debt | 2.5 | - | 2.5 |
| Other current liabilities | 7.0 | - | 7.0 |
| Total current liabilities | 83.8 | 2.8 | 86.6 |
| Long-term debt | 977.9 | - | 977.9 |
| Other noncurrent liabilities | 5.4 | 0.2 | 5.6 |
| Total liabilities | 1,067.1 | 3.0 | 1,070.1 |
| Partners' capital—Hess Corporation | 687.1 | - | 687.1 |
| Partners' capital—GIP | 689.6 | - | 689.6 |
| Noncontrolling interest | 506.0 | - | 506.0 |
| Accumulated other comprehensive income | 1.6 | - | 1.6 |
| Net parent investment | - | 68.0 | 68.0 |
| Total partners' capital | 1,884.3 | 68.0 | 1,952.3 |
| Total liabilities and partners' capital | $ 2,951.4 | $ 71.0 | $ 3,022.4 |

(1) As previously reported.
(2) The financial position of Hess Water Services as of December 31, 2017.

Consolidated Statements of Operations

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Revenues and other income | | | |
| Affiliate services | $ 661.7 | $ 50.3 | $ 712.0 |
| Other income | 0.7 | - | 0.7 |
| Total revenues and other income | 662.4 | 50.3 | 712.7 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 154.3 | 39.2 | 193.5 |
| Depreciation expense | 123.0 | 3.9 | 126.9 |
| General and administrative expenses | 13.5 | 0.6 | 14.1 |
| Total costs and expenses | 290.8 | 43.7 | 334.5 |
| Income from operations | 371.6 | 6.6 | 378.2 |
| Interest expense, net | 53.3 | - | 53.3 |
| Gain on sale of property, plant and equipment | 0.6 | - | 0.6 |
| Net income | 318.9 | 6.6 | 325.5 |
| Less: Net income (loss) attributable to net parent investment | - | 6.6 | 6.6 |
| Less: Net income attributable to noncontrolling interest | 69.3 | - | 69.3 |
| Net income attributable to Hess Infrastructure Partners LP | $ 249.6 | $ - | $ 249.6 |

(1) As previously reported.
(2) Results of Hess Water Services from January 1, 2018 through December 31, 2018.

| (in millions) | Year Ended December 31, 2017<br>Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
|---|---|---|---|
| Revenues and other income | | | |
| Affiliate services | $ 565.6 | $ 13.9 | $ 579.5 |
| Other income | - | - | - |
| Total revenues and other income | 565.6 | 13.9 | 579.5 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 158.4 | 27.6 | 186.0 |
| Depreciation expense | 113.1 | 3.4 | 116.5 |
| General and administrative expenses | 13.2 | 0.7 | 13.9 |
| Total costs and expenses | 284.7 | 31.7 | 316.4 |
| Income from operations | 280.9 | (17.8) | 263.1 |
| Interest expense, net | 25.8 | - | 25.8 |
| Gain on sale of property, plant and equipment | 4.7 | - | 4.7 |
| Net income | 259.8 | (17.8) | 242.0 |
| Less: Net income (loss) attributable to net parent investment | - | (17.8) | (17.8) |
| Less: Net income attributable to noncontrolling interest | 40.4 | - | 40.4 |
| Net income attributable to Hess Infrastructure Partners LP | $ 219.4 | $ - | $ 219.4 |

(1) As previously reported.
(2) Results of Hess Water Services from January 1, 2017 through December 31, 2017.

| | Year Ended December 31, 2016 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Revenues and other income | | | |
| Affiliate services | $ 510.0 | $ - | $ 510.0 |
| Other income | - | - | - |
| Total revenues and other income | 510.0 | - | 510.0 |
| Costs and expenses | | | - |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 183.3 | 36.5 | 219.8 |
| Depreciation expense | 103.0 | 2.8 | 105.8 |
| Impairment loss | 66.7 | - | 66.7 |
| General and administrative expenses | 16.4 | 1.0 | 17.4 |
| Total costs and expenses | 369.4 | 40.3 | 409.7 |
| Income from operations | 140.6 | (40.3) | 100.3 |
| Interest expense, net | 18.7 | - | 18.7 |
| Net income | 121.9 | (40.3) | 81.6 |
| Less: Net income (loss) attributable to net parent investment | - | (40.3) | (40.3) |
| Net income attributable to Hess Infrastructure Partners LP | $ 121.9 | $ - | $ 121.9 |

(1) As previously reported.
(2) Results of Hess Water Services from January 1, 2016 through December 31, 2016.

Consolidated Statements of Cash Flows

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| **Cash flows from operating activities** | | | |
| Net income | $ 318.9 | $ 6.6 | $ 325.5 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 123.0 | 3.9 | 126.9 |
| (Gain) loss on sale of property, plant and equipment | (0.6) | - | (0.6) |
| (Gain) loss on interest rate swaps | (0.4) | - | (0.4) |
| Amortization of deferred financing costs | 5.0 | - | 5.0 |
| Unit-based compensation | 0.9 | - | 0.9 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (4.1) | (2.2) | (6.3) |
| Other current and noncurrent assets | 1.9 | - | 1.9 |
| Accounts payable—trade | 2.7 | 1.3 | 4.0 |
| Accounts payable—affiliate | (6.4) | - | (6.4) |
| Accrued liabilities | 14.6 | 2.7 | 17.3 |
| Other current and noncurrent liabilities | (1.0) | 0.1 | (0.9) |
| Net cash provided by (used in) operating activities | 454.5 | 12.4 | 466.9 |
| **Cash flows from investing activities** | | | |
| Payments for equity investments | (67.3) | - | (67.3) |
| Proceeds from sale of property, plant and equipment | 1.6 | - | 1.6 |
| Additions to property, plant and equipment | (235.6) | (6.3) | (241.9) |
| Net cash provided by (used in) investing activities | (301.3) | (6.3) | (307.6) |
| **Cash flows from financing activities** | | | |
| Repayments of bank borrowings - term loan | (2.5) | - | (2.5) |
| Financing costs | (1.0) | - | (1.0) |
| Distributions to partners | (322.0) | - | (322.0) |
| Distributions to noncontrolling interest | (74.1) | - | (74.1) |
| Other contributions from (distributions to) partners | - | (6.1) | (6.1) |
| Net cash provided by (used in) financing activities | (399.6) | (6.1) | (405.7) |
| Net increase (decrease) in cash and cash equivalents | (246.4) | - | (246.4) |
| Cash and cash equivalents at beginning of period | 355.7 | - | 355.7 |
| Cash and cash equivalents at end of period | $ 109.3 | $ - | $ 109.3 |

(1) As previously reported.
(2) Cash flows of Hess Water Services from January 1,2018 through December 31, 2018.

| | Year Ended December 31, 2017 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Cash flows from operating activities | | | |
| Net income | $ 259.8 | $ (17.8) | $ 242.0 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 113.1 | 3.4 | 116.5 |
| (Gain) loss on sale of property, plant and equipment | (4.7) | - | (4.7) |
| (Gain) loss on interest rate swaps | (1.7) | - | (1.7) |
| Amortization of deferred financing costs | 3.8 | - | 3.8 |
| Unit-based compensation | 0.2 | - | 0.2 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | (14.0) | (2.9) | (16.9) |
| Other current and noncurrent assets | 1.2 | - | 1.2 |
| Accounts payable—trade | (16.6) | (0.1) | (16.7) |
| Accounts payable—affiliate | 7.5 | - | 7.5 |
| Accrued liabilities | 2.8 | 0.4 | 3.2 |
| Other current and noncurrent liabilities | 2.2 | (0.1) | 2.1 |
| Net cash provided by (used in) operating activities | 353.6 | (17.1) | 336.5 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | 12.8 | - | 12.8 |
| Additions to property, plant and equipment | (136.4) | (7.8) | (144.2) |
| Net cash provided by (used in) investing activities | (123.6) | (7.8) | (131.4) |
| Cash flows from financing activities | | | |
| Proceeds from (repayments of) bank borrowings - revolver | (153.0) | - | (153.0) |
| Repayments of bank borrowings - term loan | (385.0) | - | (385.0) |
| Proceeds from issuance of fixed-rate senior notes | 800.0 | - | 800.0 |
| Financing costs | (22.9) | - | (22.9) |
| Proceeds from issuance of common units of Hess Midstream Partners LP, net of underwriters' discounts | 365.5 | - | 365.5 |
| Cash offering costs | (2.1) | - | (2.1) |
| Distributions to partners | (100.0) | - | (100.0) |
| Distributions to noncontrolling interest | (381.2) | - | (381.2) |
| Other contributions from (distributions to) partners | 2.7 | 24.9 | 27.6 |
| Net cash provided by (used in) financing activities | 124.0 | 24.9 | 148.9 |
| Net increase (decrease) in cash and cash equivalents | 354.0 | - | 354.0 |
| Cash and cash equivalents at beginning of period | 1.7 | - | 1.7 |
| Cash and cash equivalents at end of period | $ 355.7 | $ - | $ 355.7 |

(1) As previously reported.
(2) Cash flows of Hess Water Services from January 1,2017 through December 31, 2017.

| | Year Ended December 31, 2016 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Cash flows from operating activities | | | |
| Net income | $ 121.9 | $ (40.3) | $ 81.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 103.0 | 2.8 | 105.8 |
| Impairment Loss | 66.7 | | 66.7 |
| Amortization of deferred financing costs | 3.4 | - | 3.4 |
| Changes in assets and liabilities: | | | |
| Accounts receivable—affiliate | 3.4 | - | 3.4 |
| Other current and noncurrent assets | 1.7 | - | 1.7 |
| Accounts payable—trade | (12.6) | 2.1 | (10.5) |
| Accounts payable—affiliate | (3.8) | - | (3.8) |
| Accrued liabilities | 2.5 | 0.2 | 2.7 |
| Other current and noncurrent liabilities | (3.6) | 0.1 | (3.5) |
| Net cash provided by (used in) operating activities | 282.6 | (35.1) | 247.5 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | (263.4) | (5.2) | (268.6) |
| Net cash provided by (used in) investing activities | (263.4) | (5.2) | (268.6) |
| Cash flows from financing activities | | | |
| Proceeds from (repayments of) bank borrowings - revolver | 43.0 | - | 43.0 |
| Repayments of bank borrowings - term loan | (15.0) | - | (15.0) |
| Distributions to partners | (49.0) | - | (49.0) |
| Other contributions from (distributions to) partners | 0.2 | 40.3 | 40.5 |
| Net cash provided by (used in) financing activities | (20.8) | 40.3 | 19.5 |
| Net increase (decrease) in cash and cash equivalents | (1.6) | - | (1.6) |
| Cash and cash equivalents at beginning of period | 3.3 | - | 3.3 |
| Cash and cash equivalents at end of period | $ 1.7 | $ - | $ 1.7 |

(1) As previously reported.
(2) Cash flows of Hess Water Services from January 1,2016 through December 31, 2016.

**Note 4. Hess Midstream Partners LP**

We consolidate the activities of Hess Midstream Partners, which is qualified as a variable interest entity (“VIE”) under U.S. GAAP. We have concluded that we are the primary beneficiary of the VIE, as defined in the accounting standards, since we have power, through our 100% ownership of Hess Midstream Partners’ general partner, to direct those activities that most significantly impact the economic performance of Hess Midstream Partners. 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 Hess Midstream Partners, and the absence of substantive kick-out rights or substantive participating rights of limited partners over the general partner.

Hess Midstream Partners has a $300 million senior secured syndicated revolving credit facility, which became available for utilization at completion of the IPO (see Note 9, Debt and Interest Expense). Outstanding borrowings under this credit facility are non-recourse to HIP LP. As of December 31, 2018, this revolving credit facility was undrawn.

**Note 5. Related Party Transactions**

We are part of the consolidated operations of Hess, and substantially all of our revenues as shown on the accompanying consolidated statements of operations for the years ended December 31, 2018, 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 i) gas gathering, ii) crude oil gathering, iii) gas processing and fractionation, iv) storage services, and v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. In addition, for the years ended December 31, 2018 and 2017, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided saltwater gathering and disposal services and charged agreed-upon fees per barrel for the services performed. Hess Water Services did not earn any revenues during the year ended December 31, 2016, since at that time, it was part of the integrated operations of Hess and documented intercompany arrangements did not exist that would have provided a fixed and determinable price and evidence of arrangement. As a result, Hess Water Services recognized costs but did not record associated revenues for its operations during the year ended December 31, 2016.

Under our commercial agreements, we provide gathering, compression, processing, fractionation, storage, terminaling, loading, transportation and saltwater disposal services to Hess, for which we receive a fee per barrel of crude oil, barrel of water, Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, delivered during each month, and Hess is obligated to provide us with minimum volumes of crude oil, water, natural gas and NGLs. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually.

On September 17, 2018, we amended and restated our gas gathering and gas processing and fractionation agreements with Hess to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. Effective January 1, 2019, Hess will pay us a combined processing fee per Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, for aggregate volumes processed at LM4 and Tioga Gas Plant. Except with regard to a certain gathering sub-system as described below, each of our commercial agreements with Hess retains its initial 10-year term (“Initial Term”) and we have the unilateral right to extend each commercial agreement for one additional 10-year term (“Secondary Term”). The amended and restated gas gathering agreement also extends the Initial Term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year Initial Term and decreases the Secondary Term for that gathering sub-system by 5 years to provide for a 5-year Secondary Term. In addition, the fee recalculation mechanism continues to apply to the amended and restated agreements and, effective January 1, 2019, will incorporate the revenues received and expected to be received by Hess from sourcing third-party dedicated production in order to further align the interests of us and Hess in promoting the growth of third-party volumes on our Bakken assets.

For the years ended December 31, 2018, 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 retain control of our assets and the flow of volumes based on available capacity within our integrated gathering, processing and terminaling systems. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

During the year ended December 31, 2018, we earned $47.5 million of minimum volume shortfall fee payments (2017: $61.6 million, 2016: $36.5 million). In addition, during the year ended December 31, 2018, we recognized, as part of the affiliate revenues, $16.8 million of reimbursements from Hess related to third-party rail transportation costs (2017: $17.0 million, 2016: $31.7 million). Furthermore, during the year ended December 31, 2018, we recognized, as part of affiliate revenues, $36.5 million of reimbursements from Hess related to third-party saltwater trucking and disposal costs (2017: $5.1 million, 2016: zero). Finally, during the year ended December 31, 2018, we recognized, as part of affiliate revenues, $27.2 million of reimbursements from Hess related to electricity fees (2017: $24.9 million, 2016: $24.1 million). The related third-party rail transportation costs, saltwater trucking and disposal costs and electricity fees were included in Operating and maintenance expenses in the accompanying consolidated statements of operations.

Revenue from contracts with customers on a disaggregated basis was as follows:

| (in millions) | Year Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Oil and gas gathering services | $ 324.9 | $ 271.6 | $ 212.8 |
| Water gathering and disposal services | 50.3 | 13.9 | - |
| Processing and storage services | 251.4 | 227.3 | 196.7 |
| Terminaling and export services | 85.4 | 66.7 | 100.3 |
| Total revenues from contracts with customers | 712.0 | 579.5 | 509.8 |
| Other income | 0.7 | - | 0.2 |
| Total revenues | $ 712.7 | $ 579.5 | $ 510.0 |

***Omnibus and Secondment Agreements***

We entered into an omnibus agreement with Hess 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.

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 years ended December 31, 2018, 2017 and 2016, we had the following charges from Hess. 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.

| (in millions) | Year Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating and maintenance expenses | $ 50.2 | $ 57.3 | $ 63.2 |
| General and administrative expenses | 7.8 | 6.7 | 11.4 |
| Total | $ 58.0 | $ 64.0 | $ 74.6 |

***Prepaid Forward Purchase and Sales Agreement***

Prior to the commencement of the joint venture operations, certain of our subsidiaries entered into a Prepaid Forward Purchase and Sales Agreement with Hess in which we received a contractual right to receive 550 crude oil rail cars for an estimated purchase price of $104.1 million. In connection with this agreement, Hess contributed to us $104.1 million, which was subsequently used to prepay the contract for the purchase of the crude oil rail cars from Hess. During the year ended December 31, 2016 we recognized $54.1 million in Property, plant and equipment and in partners' capital contributions, respectively, in connection with this agreement. As of December 31, 2016, we had received all 550 crude oil rail cars.

***Other Related Party Transactions***

During the year ended December 31, 2016, Hess contributed to us additional gathering assets for $42.9 million that were recognized in Property, plant and equipment and in partners' capital contributions, respectively. This contribution did not have any impact on Hess's ownership interest in us.

**Note 6. Property, Plant and Equipment**

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

| (in millions, except for number of years) | Estimated useful lives | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Gathering assets | | | |
| Pipelines | 22 years | $ 1,098.1 | $ 976.9 |
| Compressors, pumping stations, and terminals | 22 to 25 years | 558.9 | 536.1 |
| Gas plant assets | | | |
| 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 | 185.5 | 158.4 |
| Logistics facilities and railcars | 20 to 25 years | 385.8 | 371.1 |
| Storage facilities | 20 to 25 years | 19.5 | 19.5 |
| Other | 20 to 25 years | 11.4 | 9.3 |
| Construction-in-progress | N/A | 158.5 | 73.0 |
| Total property, plant and equipment | | 3,488.2 | 3,214.8 |
| Accumulated depreciation | | (752.9) | (626.2) |
| Property, plant and equipment, net | | $ 2,735.3 | $ 2,588.6 |

**Note 7. Impairment**

No impairments of long-lived assets were recorded during the years ended December 31, 2018 and 2017. In 2016, we recorded an impairment charge of $66.7 million to impair older specification rail cars based on estimated salvage values, which approximate fair value and represent a Level 3 fair value measurement as defined under accounting standards. In 2017, we sold 851 of 956 of these older specification rail cars for proceeds of $12.8 million, which resulted in a gain of $4.7 million. In 2018, we sold the remaining older specification rail cars for proceeds of $1.6 million, which resulted in a gain of $0.6 million. The older specification rail cars are reported under Interest and Other (see Note 14, Segments).

**Note 8. Accrued Liabilities**

Accrued liabilities are as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Accrued capital expenditures | $ 52.4 | $ 23.0 |
| Accrued interest | 16.9 | 4.8 |
| Other accruals | 16.3 | 12.5 |
| Total | $ 85.6 | $ 40.3 |

Other current liabilities of $6.8 million represent payables for property and sales and use taxes.

**Note 9. Debt and Interest Expense**

Long-term debt excluding deferred financing costs is as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Fixed-rate senior notes | $ 800.0 | $ 800.0 |
| Term Loan A facility | 197.5 | 200.0 |
| Total debt | 997.5 | 1,000.0 |
| Less: current maturities of long-term debt | 11.3 | 2.5 |
| Total long-term debt | $ 986.2 | $ 997.5 |

As of December 31, 2018, the maturity profile of total debt, excluding deferred financing costs, was as follows:

| (in millions) | Total | 2019 | 2020 | 2021 | 2022 | 2023 and thereafter |
|---|---|---|---|---|---|---|
| Fixed-rate senior notes | $ 800.0 | $ - | $ - | $ - | $ - | $ 800.0 |
| Term Loan A facility | 197.5 | 11.3 | 15.0 | 16.2 | 155.0 | - |
| Total debt (excluding interest) | $ 997.5 | $ 11.3 | $ 15.0 | $ 16.2 | $ 155.0 | $ 800.0 |

***Fixed-Rate Senior Notes***

In November 2017, we issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of the Partnership, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of the Partnership. Interest is payable semi-annually on February 15 and August 15. The Partnership used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At December 31, 2018, the Partnership had $800 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600 million 5-year revolving credit facility and a drawn $200 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund the Partnership's operating activities and capital expenditures. The credit facilities are guaranteed by certain of the Partnership's wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of the Partnership's and certain of its wholly owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At December 31, 2018, the Partnership's revolving credit facility was undrawn, and borrowings of $197.5 million, excluding deferred issuance costs, were outstanding under the Partnership's Term Loan A facility.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. 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). If we obtain an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require the Partnership to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of December 31, 2018, we were in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, Hess Midstream Partners entered into a four-year, $300.0 million senior secured revolving credit facility that became available to us upon the closing of Hess Midstream Partners' 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 Hess Midstream Partners. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on Hess Midstream Partners' leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit facility). Facility fees accrue at 0.275% per annum and are paid quarterly. If Hess Midstream Partners obtains credit ratings, pricing levels will be based on Hess Midstream Partners' credit ratings in effect from time to time. Hess Midstream Partners 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 December 31, 2018, the revolving credit facility remained undrawn. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of Hess Midstream Partners and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions.

***Fair Value Measurement***

The carrying value of the amounts under the Term Loan A facility at each year end approximated their fair value. At December 31, 2018, outstanding amounts under the fixed-rate senior notes with a carrying value of $787.1 million had a fair value of approximately $779.9 million, based on Level 2 inputs in the fair value measurement hierarchy. At December 31, 2017, outstanding amounts under the fixed-rate senior notes with a carrying value of $784.9 million had a fair value of approximately $827.2 million, based on Level 2 inputs in the fair value measurement hierarchy.

***Interest Paid***

The total amount of interest paid on all credit facilities, including facility fees, during the year ended December 31, 2018 was $42.7 million (2017: $18.8 million, 2016: $15.8 million).

**Note 10. Partners' Capital**

The partners' capital accounts of HIP consist of 50% limited partner interests, each held directly by Hess and GIP. Our general partner is Hess Infrastructure Partners GP LLC that has a non-economic interest in us and is not entitled to any cash distributions or net income (loss) allocations, nor is it required to make any capital contributions to the Partnership.

***Net Income (Loss) Allocations***

Pursuant to our partnership agreement, net income (loss) is allocated to our limited partners pro rata based on their respective percentage interests in the Partnership. However, to the extent there are positive or negative variances greater than 5% between the operating expense estimates as used in determination of tariffs under the tariff arrangements and actual operating and maintenance expenses with respect to any calendar year, such variances are allocated to the limited partner interest held by Hess with an equal and offsetting amount allocated to the limited partner interest held by GIP, before the allocation of the remaining net income loss pro rata amongst all limited partner interests. For the year ended December 31, 2018, net income allocations included $3.6 million of such operating expense variances allocated to Hess and $(3.6) million allocated to GIP, respectively, as reflected in the accompanying consolidated statements of changes in partners' capital (2017: $(4.2) million and $4.2 million, respectively; 2016: $6.6 million and $(6.6) million, respectively).

***Cash Distributions***

Pursuant to HIP LP and Hess Midstream Partners' partnership agreements, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in the partnership agreements) to the limited partners of record on the applicable date. The following table details the distributions paid during the years ended December 31, 2018, 2017 and 2016:

| (in millions)<br>Type of Distributions | Period | Distributions to Hess Corporation | Distributions to GIP | Distributions to Noncontrolling Interest | Total Distributions |
|---|---|---|---|---|---|
| HIP LP Distributions | Third Quarter 2016 | $ 26.1 | $ 22.9 | $ - | $ 49.0 |
| HIP LP Special Partner Distributions | Second Quarter 2017 | $ - | $ - | $ 349.5 | $ 349.5 |
| HIP LP Distributions | Second Quarter 2017 | $ 27.1 | $ 22.9 | $ - | $ 50.0 |
| Hess Midstream Partners Quarterly Distributions | Second Quarter 2017(1) | $ - | $ - | $ 14.8 | $ 14.8 |
| HIP LP Distributions | Third Quarter 2017 | $ 25.0 | $ 25.0 | $ - | $ 50.0 |
| Hess Midstream Partners Quarterly Distributions | Third Quarter 2017 | $ - | $ - | $ 16.9 | $ 16.9 |
| Hess Midstream Partners Quarterly Distributions | Fourth Quarter 2017 | $ - | $ - | $ 17.5 | $ 17.5 |
| Hess Midstream Partners Quarterly Distributions | First Quarter 2018 | $ - | $ - | $ 18.2 | $ 18.2 |
| Hess Midstream Partners Quarterly Distributions | Second Quarter 2018 | $ - | $ - | $ 18.8 | $ 18.8 |
| Hess Midstream Partners Quarterly Distributions | Third Quarter 2018 | $ - | $ - | $ 19.5 | $ 19.5 |
| HIP LP Distributions | Fourth Quarter 2018 | $ 160.0 | $ 162.0 | $ - | $ 322.0 |
| Hess Midstream Partners Quarterly Distributions | Fourth Quarter 2018(2) | $ - | $ - | $ 20.2 | $ 20.2 |

(1) The distribution for the second quarter 2017 was prorated from the closing of the Partnership's IPO on April 10, 2017 and equated to the minimum quarterly distribution of $0.3000 per unit on a full quarter basis.
(2) For more information, see Note 16, Subsequent Events.

**Note 11. Unit-Based Compensation**

In connection with its IPO, Hess Midstream Partners 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 Hess Midstream Partners' general partner or its affiliates, and any individuals who perform services for Hess Midstream Partners. The LTIP provides Hess Midstream Partners 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.

Under the LTIP, Hess Midstream Partners granted awards of phantom units with distribution equivalent rights to certain officers, employees and directors. These phantom units and distribution equivalent rights vest ratably over a three-year period for officers and employees, and vest after one year for directors. Each phantom unit represents the right to receive one of our common units upon vesting (or an equivalent amount of cash). Cash distributions on the phantom units accumulate and are paid upon vesting. Fair value of phantom units is based on the fair value of Hess Midstream Partners' common units on the grant date.

Unit-based award activity for the year ended December 31, 2018 was as follows:

| | Number of Units | Weighted Average Award Date Fair Value |
|---|---|---|
| Outstanding and unvested units at December 31, 2017 | 44,127 | $ 22.85 |
| Granted | 90,594 | 20.51 |
| Forfeited | (3,107) | 21.73 |
| Vested | (17,377) | 22.63 |
| Outstanding and unvested units at December 31, 2018 | 114,237 | $ 21.06 |

| (in millions) | 2018 | 2017 | 2016 |
|---|---|---|---|
| Fair value of units granted | $ 1.9 | $ 1.0 | * |
| Fair value of units vested | $ 0.4 | $ - | * |

** Information is not applicable for the period prior to Hess Midstream Partners' IPO on April 10, 2017.*

During the year ended December 31, 2018, we recognized compensation expense related to the outstanding awards of $0.9 million (2017: $0.2 million, 2016: zero). As of December 31, 2018, $1.6 million of compensation cost related to our unvested phantom units awarded under the LTIP remains to be recognized over an expected weighted-average period of 1.9 years.

**Note 12. Concentration of Credit Risk**

Hess represented approximately 100% of our total revenues and accounts receivable for the years ended December 31, 2018, 2017 and 2016.

**Note 13. Commitments and Contingencies**

***Environmental Contingencies***

The Partnership is subject to federal, state and local laws and regulations relating to the environment. As of December 31, 2018, our reserve for estimated remediation liabilities included in Accrued liabilities and Other noncurrent liabilities was $0.6 million and $2.0 million, respectively. As of December 31, 2017, we had $1.0 million and $2.4 million, respectively.

***Legal Proceedings***

As of December 31, 2018 and 2017, we did not have material 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.

***Lease and Purchase Obligations***

We enter into certain lease and purchase commitments in connection with ongoing business activities. As of December 31, 2018, we have future minimum lease payments of $0.2 million for the year ended December 31, 2019 and $0.3 million for the years thereafter. In addition, as of December 31, 2018, we have unconditional purchase commitments of $12.7 million for the year ending December 31, 2019 and none for the years thereafter.

**Note 14. 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.

***Gathering.*** Our gathering segment consists of 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, Little Missouri 4 gas processing plant, when completed, 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 was placed into service during the fourth quarter of 2017.
- *Saltwater Gathering and Disposal.* A saltwater gathering system located primarily in McKenzie, Williams and Mountrail Counties, North Dakota.

***Processing and Storage.*** Our processing and storage segment consists of the following assets:

- *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.

- *Equity Investment in Little Missouri 4 (LM4) Joint Venture.* A 50% equity method investment in LM4 joint venture that owns a natural gas processing plant located in McKenzie County, North Dakota, which was still under construction as of December 31, 2018.

***Terminaling and Export.*** Our terminaling and export segment consists 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.

The following tables reflect certain financial data for each reportable segment. The acquisition of Hess Water Services caused a change in composition of reportable segments and, as a result, the corresponding items of segment information for earlier periods have been restated:

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2018** | | | | | |
| Revenues and other income | $ 375.2 | $ 251.4 | $ 86.1 | $ - | $ 712.7 |
| Net income (loss) | 199.6 | 148.8 | 36.1 | (59.0) | 325.5 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 155.1 | 118.8 | 29.1 | (53.4) | 249.6 |
| Depreciation expense | 67.2 | 43.9 | 15.8 | - | 126.9 |
| Interest expense, net | - | - | - | 53.3 | 53.3 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Adjusted EBITDA | 266.8 | 192.7 | 51.9 | (6.3) | 505.1 |
| Capital expenditures | 257.0 | 10.0 | 4.3 | - | 271.3 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2017** | | | | | |
| Revenues and other income | $ 285.5 | $ 227.3 | $ 66.7 | $ - | $ 579.5 |
| Net income (loss) | 132.1 | 123.8 | 14.4 | (28.3) | 242.0 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 127.2 | 105.3 | 12.0 | (25.1) | 219.4 |
| Depreciation expense | 57.8 | 43.6 | 15.1 | - | 116.5 |
| Interest expense, net | - | - | - | 25.8 | 25.8 |
| Gain on sale of property, plant and equipment | - | - | - | 4.7 | 4.7 |
| Adjusted EBITDA | 189.9 | 167.4 | 29.5 | (7.2) | 379.6 |
| Capital expenditures | 77.8 | 15.9 | 24.6 | - | 118.3 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Year Ended December 31, 2016** | | | | | |
| Revenues and other income | $ 212.8 | $ 196.7 | $ 100.3 | $ 0.2 | $ 510.0 |
| Net income (loss) | 56.6 | 92.7 | 16.7 | (84.4) | 81.6 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 96.9 | 92.7 | 16.7 | (84.4) | 121.9 |
| Depreciation expense | 42.7 | 44.0 | 15.8 | 3.3 | 105.8 |
| Impairment loss | - | - | - | 66.7 | 66.7 |
| Interest expense, net | - | - | - | 18.7 | 18.7 |
| Adjusted EBITDA | 99.3 | 136.7 | 32.5 | 4.3 | 272.8 |
| Capital expenditures | 216.2 | 35.4 | 21.2 | - | 272.8 |

Total assets for the reportable segments are as follows:

| (in millions) | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Gathering | $ 1,544.0 | $ 1,351.5 |
| Processing and Storage(1) | 1,008.6 | 972.6 |
| Terminaling and Export | 320.2 | 330.1 |
| Interest and Other | 118.4 | 368.2 |
| Total assets | $ 2,991.2 | $ 3,022.4 |

(1) Includes $67.3 million of investment in equity method investees

**Note 15. Financial Risk Management Activities**

In the normal course of our business, we are exposed to market risks related to changes in interest rates. Financial risk management activities include transactions designed to reduce risk by reducing our exposure to interest rate movements. Interest rate swaps may be used to convert interest payments on certain long-term debt from floating to fixed rates.

As of December 31, 2018 and 2017, there were no outstanding interest rate swaps designated as cash flow hedges. During 2017, we entered into interest rate swaps with gross notional amounts totaling $552.5 million to convert interest payments on certain long-term debt from floating to fixed rates before settling these instruments as part of the refinancing that occurred later in the year. See Note 9, Debt and Interest Expense. In 2017, the change in fair value of interest rate swaps was an increase to assets of $3.3 million and the cash settlement was $3.1 million. At December 31, 2018, deferred income in Accumulated other comprehensive income in connection with the settled instruments was $1.2 million, of which $0.8 million will be reclassified into earnings during the next 12 months.

**Note 16. 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.

On March 1, 2019, we acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it was a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the periods following March 1, 2019, Hess Water Services is not taxable itself and is not part of a separate taxable entity; therefore, no income tax provision is recognized. All of the income before income taxes for the years presented was earned in the United States.

The difference between the effective income tax rate and the U.S. statutory rate is reconciled below:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| U.S. statutory rate | 21.0 % | 35.0 % | 35.0 % |
| State income taxes, net of federal income tax | 3.7 | 2.6 | 2.6 |
| Change in enacted tax laws | - | (25.7) | - |
| Valuation allowance | (24.7) | (11.9) | (37.6) |
| Effective rate | - % | - % | - % |

The components of deferred tax assets and liabilities for Hess Water Services are as follows:

| | December 31, | |
|---|---|---|
| (in millions) | 2018 | 2017 |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | $ 10.7 | $ 9.5 |
| **Total deferred tax liabilities** | 10.7 | 9.5 |
| **Deferred tax assets** | | |
| Net operating loss carryforwards | 16.9 | 17.5 |
| Asset retirement obligations | 0.2 | 0.1 |
| **Total deferred tax assets** | 17.1 | 17.6 |
| Valuation allowance | (6.4) | (8.1) |
| **Total deferred tax assets, net of valuation allowance** | 10.7 | 9.5 |
| **Net deferred tax assets (liabilities)** | $ - | $ - |

The net accounting losses and deferred tax position presented in the table above represent the results of Hess Water Services as if it were a stand-alone entity since 2016. The related activity was included in Hess's federal and state income tax returns and the related attributes are not available on income tax filings of HIP LP and it partners. Hess Water Services is in a three-year cumulative loss position at the end of 2018 and 2017, which constitutes objective negative evidence to which accounting standards require we assign significant weight relative to subjective estimates, such as income projections. As a result, a full valuation allowance is maintained against net deferred tax assets of Hess Water Services.

**Note 17. Subsequent Events**

We have evaluated subsequent events through October 4, 2019, the date the accompanying consolidated financial statements were available to be issued, and determined the following subsequent events:

On January 24, 2019, the board of directors of Hess Midstream Partners' general partner declared a quarterly cash distribution of $0.3701 per common and subordinated unit for the quarter ended December 31, 2018, an increase of 15% compared with the quarter ended December 31, 2017. The distribution was paid on February 13, 2019 to unitholders of record as of the close of business on February 4, 2019.

On March 1, 2019, HIP LP acquired Hess's existing Bakken water services business for $225 million in cash. The transaction was accounted for as a business combination of entities under common control with retrospective recast of the previously reported financial information (see Note 3, Acquisitions). In connection with this acquisition, we entered into long-term fee-based water services agreements with certain subsidiaries of Hess effective January 1, 2019, under which we provide saltwater gathering and disposal services to Hess and Hess is obligated to provide us with minimum volumes based on dedicated production. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually. The initial term for the water services agreements is 14 years and we have the unilateral right to extend these agreements for one additional 10 year term.

On March 22, 2019, our subsidiary, Hess North Dakota Pipelines LLC acquired the crude oil and gas gathering assets of Summit Midstream Partners' Tioga Gathering System for cash consideration of approximately $60 million, with the potential for an additional $7 million of contingent payments in future periods subject to certain future performance metrics. In addition, HIP LP separately acquired the water gathering assets of the Tioga System from Summit Midstream Partners for cash consideration of approximately $30 million, with the potential for an additional $3 million of contingent payments in future periods subject to certain future performance metrics. The transaction was accounted for as an asset acquisition.

On April 25, 2019, the board of directors of Hess Midstream Partners' general partner declared a quarterly cash distribution of $0.3833 per common and subordinated unit for the quarter ended March 31, 2019, an increase of 15% compared with the quarter ended March 31, 2018. The distribution was paid on May 14, 2019, to unitholders of record as of the close of business on May 3, 2019.

On July 25, 2019, the board of directors of Hess Midstream Partners' general partner declared a quarterly cash distribution of $0.3970 per common and subordinated unit for the quarter ended June 30, 2019, an increase of 15% compared with the quarter ended June 30, 2018. The distribution was paid on August 13, 2019, to unitholders of record as of the close of business on August 5, 2019.

In July 2019, the operator, Targa Resources Corp., completed construction of LM4 and introduced first gas into the plant.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED FINANCIAL STATEMENTS**
**For the Three and Nine Months Ended September 30, 2019 and 2018**

## TABLE OF CONTENTS

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED BALANCE SHEETS**
**(UNAUDITED)**

| (in millions) | September 30, 2019 | December 31, 2018 (1) |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 7.1 | $ 109.3 |
| Accounts receivable—affiliate: | | |
| From contracts with customers | 75.8 | 67.3 |
| Other receivables | 0.1 | 0.5 |
| Other current assets | 7.7 | 3.3 |
| Total current assets | 90.7 | 180.4 |
| Equity investments | 104.9 | 67.3 |
| Property, plant and equipment, net | 2,937.8 | 2,735.3 |
| Long-term receivable—affiliate | 1.2 | 1.3 |
| Other noncurrent assets | 6.0 | 6.9 |
| Total assets | $ 3,140.6 | $ 2,991.2 |
| Liabilities | | |
| Accounts payable—trade | $ 22.8 | $ 18.6 |
| Accounts payable—affiliate | 44.5 | 15.8 |
| Accrued liabilities | 69.3 | 85.6 |
| Current maturities of long-term debt | 15.0 | 11.3 |
| Other current liabilities | 6.6 | 6.8 |
| Total current liabilities | 158.2 | 138.1 |
| Long-term debt | 1,136.6 | 969.8 |
| Other noncurrent liabilities | 14.6 | 7.2 |
| Total liabilities | 1,309.4 | 1,115.1 |
| Partners' capital—Hess Corporation | 595.3 | 655.5 |
| Partners' capital—GIP | 744.5 | 648.8 |
| Noncontrolling interest | 490.8 | 502.1 |
| Accumulated other comprehensive income | 0.6 | 1.2 |
| Net parent investment | - | 68.5 |
| Total partners' capital | 1,831.2 | 1,876.1 |
| Total liabilities and partners' capital | $ 3,140.6 | $ 2,991.2 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 (1) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 (1) |
|---|---|---|---|---|
| Revenues | | | | |
| Affiliate services | $ 214.9 | $ 183.6 | $ 594.5 | $ 526.2 |
| Other income | - | 0.2 | 0.3 | 0.6 |
| Total revenues | 214.9 | 183.8 | 594.8 | 526.8 |
| Costs and expenses | | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 71.9 | 50.2 | 184.1 | 137.9 |
| Depreciation expense | 36.0 | 31.5 | 105.0 | 93.5 |
| General and administrative expenses | 7.7 | 3.1 | 19.4 | 9.3 |
| Total costs and expenses | 115.6 | 84.8 | 308.5 | 240.7 |
| Income from operations | 99.3 | 99.0 | 286.3 | 286.1 |
| Interest expense, net | 12.4 | 12.9 | 44.2 | 40.1 |
| Earnings from equity investments | 0.5 | - | 0.5 | - |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 |
| Net income | 87.4 | 86.1 | 242.6 | 246.6 |
| Less: Net income attributable to net parent investment | - | 2.4 | 0.4 | 5.9 |
| Less: Net income attributable to noncontrolling interest | 17.8 | 18.3 | 50.6 | 52.4 |
| Net income attributable to Hess Infrastructure Partners LP | $ 69.6 | $ 65.4 | $ 191.6 | $ 188.3 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(UNAUDITED)**

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 (1) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 (1) |
|---|---|---|---|---|
| Net income | $ 87.4 | $ 86.1 | $ 242.6 | $ 246.6 |
| Effect of hedge (gains) losses reclassified to income | (0.2) | (0.1) | (0.6) | (0.2) |
| Total other comprehensive income (loss) | (0.2) | (0.1) | (0.6) | (0.2) |
| | | | | |
| Comprehensive income | 87.2 | 86.0 | 242.0 | 246.4 |
| Less: Comprehensive income attributable to net parent investment | - | 2.4 | 0.4 | 5.9 |
| Less: Comprehensive income attributable to noncontrolling interest | 17.8 | 18.3 | 50.6 | 52.4 |
| Comprehensive income attributable to Hess Infrastructure Partners LP | $ 69.4 | $ 65.3 | $ 191.0 | $ 188.1 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

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

| (in millions) | Hess Corporation | GIP | Non-Controlling Interest | Accumulated Other Comprehensive Income | Net Parent Investment (1) | Total (1) |
|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | $ 655.5 | $ 648.8 | $ 502.1 | $ 1.2 | $ 68.5 | $ 1,876.1 |
| Net income | 31.7 | 31.6 | 17.1 | - | 0.4 | 80.8 |
| Unit-based compensation | - | - | 0.3 | - | - | 0.3 |
| Other comprehensive income (loss) | - | - | - | (0.2) | - | (0.2) |
| Distributions to noncontrolling interest | - | - | (20.2) | - | - | (20.2) |
| Acquisition of Hess Water Services | (156.1) | - | - | - | (68.9) | (225.0) |
| Balance, March 31, 2019 | $ 531.1 | $ 680.4 | $ 499.3 | $ 1.0 | $ - | $ 1,711.8 |
| Net income | 29.4 | 29.3 | 15.7 | - | - | 74.4 |
| Unit-based compensation | - | - | 0.3 | - | - | 0.3 |
| Other comprehensive income (loss) | - | - | - | (0.2) | - | (0.2) |
| Distributions to noncontrolling interest | - | - | (21.0) | - | - | (21.0) |
| Balance, June 30, 2019 | $ 560.5 | $ 709.7 | $ 494.3 | $ 0.8 | $ - | $ 1,765.3 |
| Net income | 34.8 | 34.8 | 17.8 | | - | 87.4 |
| Unit-based compensation | - | - | 0.5 | - | - | 0.5 |
| Other comprehensive income (loss) | - | - | - | (0.2) | - | (0.2) |
| Distributions to noncontrolling interest | - | - | (21.8) | - | - | (21.8) |
| Balance, September 30, 2019 | $ 595.3 | $ 744.5 | $ 490.8 | $ 0.6 | $ - | $ 1,831.2 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

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

| (in millions) | Hess Corporation | GIP | Non-Controlling Interest | Accumulated Other Comprehensive Income | Net Parent Investment (1) | Total (1) |
|---|---|---|---|---|---|---|
| Balance, December 31, 2017 | $ 687.1 | $ 689.6 | $ 506.0 | $ 1.6 | $ 68.0 | $ 1,952.3 |
| Net income | 29.7 | 29.8 | 16.7 | - | 1.5 | 77.7 |
| Unit-based compensation | - | - | 0.1 | - | - | 0.1 |
| Distributions to noncontrolling interest | - | - | (17.5) | - | | (17.5) |
| Other contributions from (distributions to) parent, net | - | - | - | - | (1.9) | (1.9) |
| Balance, March 31, 2018 | $ 716.8 | $ 719.4 | $ 505.3 | $ 1.6 | $ 67.6 | $ 2,010.7 |
| Net income | 31.7 | 31.7 | 17.4 | - | 2.0 | 82.8 |
| Unit-based compensation | - | - | 0.3 | - | - | 0.3 |
| Other comprehensive income (loss) | - | - | - | (0.1) | - | (0.1) |
| Distributions to noncontrolling interest | - | - | (18.2) | - | | (18.2) |
| Other contributions from (distributions to) parent, net | - | - | - | - | (0.3) | (0.3) |
| Balance, June 30, 2018 | $ 748.5 | $ 751.1 | $ 504.8 | $ 1.5 | $ 69.3 | $ 2,075.2 |
| Net income | 32.7 | 32.7 | 18.3 | - | 2.4 | 86.1 |
| Unit-based compensation | - | - | 0.3 | - | - | 0.3 |
| Other comprehensive income (loss) | - | - | - | (0.1) | - | (0.1) |
| Distributions to noncontrolling interest | - | - | (19.0) | - | | (19.0) |
| Other contributions from (distributions to) parent, net | - | - | | - | (0.6) | (0.6) |
| Balance, September 30, 2018 | $ 781.2 | $ 783.8 | $ 504.4 | $ 1.4 | $ 71.1 | $ 2,141.9 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

**HESS INFRASTRUCTURE PARTNERS LP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| (in millions) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 (1) |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ 242.6 | $ 246.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 105.0 | 93.5 |
| (Gain) loss on sale of property, plant and equipment | - | (0.6) |
| (Gain) loss on interest rate swaps | (0.6) | (0.2) |
| Earnings from equity investments | (0.5) | - |
| (Increase) decrease in capitalized interest | (4.1) | - |
| Amortization of deferred financing costs | 3.8 | 3.6 |
| Unit-based compensation | 1.1 | 0.7 |
| Changes in assets and liabilities: | | |
| Accounts receivable—affiliate | (7.6) | (10.3) |
| Other current and noncurrent assets | (4.7) | (0.9) |
| Accounts payable—trade | 3.7 | - |
| Accounts payable—affiliate | (1.5) | (3.4) |
| Accrued liabilities | - | 5.6 |
| Other current and noncurrent liabilities | (2.8) | (2.2) |
| Net cash provided by (used in) operating activities | 334.4 | 332.4 |
| Cash flows from investing activities | | |
| Payments for equity investments | (33.0) | (67.3) |
| Acquisitions from Hess | (68.9) | - |
| Acquisitions from third parties, net of cash acquired | (89.2) | - |
| Proceeds from sale of property, plant and equipment | - | 1.6 |
| Additions to property, plant and equipment | (194.9) | (168.9) |
| Net cash provided by (used in) investing activities | (386.0) | (234.6) |
| Cash flows from financing activities | | |
| Proceeds from (repayments of) bank borrowings—revolver | 176.0 | - |
| Repayments of bank borrowings—term loan | (7.5) | - |
| Capital distributions to Hess associated with acquisitions | (156.1) | - |
| Financing costs | - | (1.0) |
| Distributions to noncontrolling interest | (63.0) | (54.7) |
| Other contributions from (distributions to) partners | - | (2.8) |
| Net cash provided by (used in) financing activities | (50.6) | (58.5) |
| Net increase (decrease) in cash and cash equivalents | (102.2) | 39.3 |
| Cash and cash equivalents at beginning of period | 109.3 | 355.7 |
| Cash and cash equivalents at end of period | $ 7.1 | $ 395.0 |

(1) Prior period information has been retrospectively adjusted for the acquisition of Hess Water Services.

See accompanying notes to unaudited consolidated financial statements.

*Prior period financial information has been retrospectively adjusted for the acquisition of Hess Water Services.*

**Note 1. Description of Business**

Hess Infrastructure Partners LP ("HIP" or the "Partnership") is a 50/50 joint venture between Hess Corporation ("Hess") and GIP II Blue Holding Partnership, LP ("GIP") formed to own, operate, develop and acquire a diverse set of midstream assets to provide fee-based services to Hess and third-party customers.

On April 10, 2017, the Partnership completed an initial public offering ("IPO") of 16,997,000 common units, representing 30.5% limited partner interests in its subsidiary, Hess Midstream Partners LP ("Hess Midstream Partners"), for net proceeds of approximately $365.5 million, after deducting the underwriters' discounts and structuring fees of $25.4 million. In connection with the IPO, HIP LP contributed a 20% controlling economic interest in each of Hess North Dakota Pipeline Operations LP ("Gathering Opco"), Hess TGP Operations LP ("HTGP Opco") and Hess North Dakota Export Logistics Operations LP ("Logistics Opco") and a 100% economic interest in Hess Mentor Storage Holdings LLC ("Mentor Holdings") (collectively, the "Joint Interest Assets") to Hess Midstream Partners.

On January 25, 2018, the Partnership entered into a 50/50 joint venture with Targa Resources Corp. ("Targa") to construct a new 200 million standard cubic feet per day gas processing plant called Little Missouri 4 ("LM4"). LM4 was placed in service in the third quarter of 2019. Targa is the operator of the plant.

On March 1, 2019, the Partnership acquired Hess's existing Bakken water services business ("Hess Water Services"). See Note 3, Acquisitions.

On March 22, 2019, the Partnership acquired the crude oil, gas and water gathering assets of Summit Midstream Partners' Tioga Gathering System. See Note 3, Acquisitions.

On October 4, 2019, Hess Midstream Partners announced a proposed transaction, including acquisition of the Partnership, incentive distribution rights simplification and conversion to an "Up-C" corporate structure. See Note 15, Subsequent Events.

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).

The terms "we," "our" and "us" as used in the footnotes refer collectively to HIP LP 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 Partnership.

**Note 2. Basis of Presentation**

*Presentation*. 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, 2019 and December 31, 2018, the consolidated results of operations for the three and nine months ended September 30, 2019 and 2018, and consolidated cash flows for the nine months ended September 30, 2019 and 2018. The unaudited results of operations for the interim periods reported are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting. Accordingly, 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 statements, therefore, should be read in conjunction with the Partnership's annual audited consolidated financial statements and related notes for the year ended December 31, 2018.

The acquisition of Hess Water Services from Hess was accounted for as an acquisition of a business under common control. Accordingly, our consolidated financial statements prior to the acquisition date of March 1, 2019 were retrospectively recast to include the financial results of Hess Water Services.

*Common Control Transactions.* Assets and businesses acquired from Hess and its subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with net assets of the Partnership at Hess's historical carrying value. If any recognized consideration transferred in such a transaction exceeds the carrying value of the net assets acquired, the excess is treated as a capital distribution to Hess, similar to a dividend. To the extent that such transactions require prior periods to be retrospectively adjusted, historical net equity amounts prior to the transaction date are reflected in "Net Parent Investment." Cash consideration up to the carrying value of net assets acquired is presented as an investing activity in our consolidated statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows.

*Equity Investments.* We account for our investment in LM4 under the equity method of accounting, as we do not control, but have a significant influence over, its operations. Through September 30, 2019, we contributed $100.3 million of cash for our gross interest in LM4 and capitalized $4.1 million of interest expense associated with our investment in LM4. Difference in the basis of the investment and the underlying net asset value of the equity investee is amortized into net income over the remaining useful lives of the underlying assets. Earnings from equity investments represent our proportionate share of net income generated by the equity investee.

*Net Parent Investment.* In the accompanying consolidated financial statements, Net parent investment represents Hess's historical investment in Hess Water Services, the accumulated net earnings through the date when we obtained control of Hess Water Services, and the net effect of transactions between Hess and Hess Water Services. Retrospectively adjusted financial information from prior to the acquisition of Hess Water Services is included in Net parent investment.

*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.

***Summary of Significant Accounting Policies***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, *Leases*, as a new Accounting Standards Codification ("ASC") Topic, ASC 842. We adopted ASC 842 on January 1, 2019 using the modified retrospective method. Accordingly, comparative financial statements for periods prior to the adoption date of ASC 842 were not affected. In addition, we have elected to apply the 'package' of practical expedients allowing us to avoid reassessing whether existing contracts are (or contain) leases, whether the lease classification for existing leases would differ under ASC 842, and whether initial direct costs incurred for existing leases are capitalizable under ASC 842. Finally, we have elected to apply the practical expedient allowing us to avoid reassessing land easements that were not previously accounted for as leases under ASC 840. We have not elected the 'hindsight' practical expedient when determining lease term. As a result, no cumulative effect adjustment to Partners' capital was recognized.

*Leases*. We determine if an arrangement is a lease at inception. Operating lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use asset includes any initial direct costs and excludes lease incentives received. The lease term used in measurement of our lease obligations may include periods covered by an option to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Partnership has elected not to recognize lease assets and lease liabilities for leases with a term of 12 months or less for all classes of underlying assets. Our lease agreements may include lease and non-lease components, which are generally accounted for separately.

As of September 30, 2019, we had $0.8 million of operating lease right-of-use assets included within other noncurrent assets on our consolidated balance sheet. Operating lease liabilities were $0.2 million and $0.6 million included within other current liabilities and other noncurrent liabilities, respectively, on our consolidated balance sheet. As of September 30, 2019, we did not have any finance leases.

## Note 3. Acquisitions

***Tioga System Acquisition***

On March 22, 2019, the Partnership acquired 100% of the membership interest in Tioga Midstream Partners LLC from Summit Midstream Partners, LP that owns oil, gas, and water gathering assets (the "Tioga System Acquisition"). The transaction was accounted for as an asset acquisition. The Tioga System, located in Williams County in western North Dakota, is complementary to the Partnership's infrastructure, and is currently delivering volumes into the Partnership's gathering system.

The Partnership paid $89.2 million in cash at closing, net of cash acquired, and recognized a contingent liability for additional potential payments of $10 million in future periods subject to certain performance metrics. The Partnership funded the purchase price through a combination of cash on hand and borrowings under its revolving credit facility.

The acquired Tioga System is included in our gathering segment (see Note 13, Segments).

***Hess Water Services Acquisition***

On March 1, 2019, the Partnership acquired 100% of the membership interest in Hess Water Services Holdings LLC that owns Hess's existing Bakken water services business for $225.0 million in cash. The Partnership funded the purchase price through a combination of cash on hand and borrowings under its revolving credit facility. In connection with the Hess Water Services acquisition, we acquired the following:

| (in millions) | | |
|---|---|---|
| Property, plant and equipment, net | $ | 70.8 |
| Working capital | $ | (1.2) |
| Asset retirement obligations | $ | (0.7) |
| Net assets acquired | $ | 68.9 |

The transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at Hess's historical carrying value. We recognized $156.1 million of consideration in excess of the book value of net assets acquired as a capital distribution to Hess.

Hess Water Services is included in our gathering segment (see Note 13, Segments).

***Retrospective Adjusted Information Tables***

The following tables present our financial position, results of operations and cash flows giving effect to the acquisition of Hess Water Services. The results of Hess Water Services prior to the effective date of the acquisition are included in "Hess Water Services" and the consolidated results are included in "Consolidated Results" within the tables below. Hess Water Services did not have any items of other comprehensive income during the periods presented.

Consolidated Balance Sheet

| | December 31, 2018 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Assets | | | |
| Cash and cash equivalents | $ 109.3 | $ - | $ 109.3 |
| Accounts receivable—affiliate: | | | |
| From contracts with customers | 62.2 | 5.1 | 67.3 |
| Other receivables | 0.5 | - | 0.5 |
| Other current assets | 3.3 | - | 3.3 |
| Total current assets | 175.3 | 5.1 | 180.4 |
| Equity Investments | 67.3 | - | 67.3 |
| Property, plant and equipment, net | 2,664.1 | 71.2 | 2,735.3 |
| Long-term receivable—affiliate | 1.3 | - | 1.3 |
| Other noncurrent assets | 6.9 | - | 6.9 |
| Total assets | $ 2,914.9 | $ 76.3 | $ 2,991.2 |
| Liabilities | | | |
| Accounts payable—trade | $ 15.3 | $ 3.3 | $ 18.6 |
| Accounts payable—affiliate | 15.8 | - | 15.8 |
| Accrued liabilities | 81.8 | 3.8 | 85.6 |
| Current maturities of long-term debt | 11.3 | - | 11.3 |
| Other current liabilities | 6.8 | - | 6.8 |
| Total current liabilities | 131.0 | 7.1 | 138.1 |
| Long-term debt | 969.8 | - | 969.8 |
| Other noncurrent liabilities | 6.5 | 0.7 | 7.2 |
| Total liabilities | 1,107.3 | 7.8 | 1,115.1 |
| Partners' capital—Hess Corporation | 655.5 | - | 655.5 |
| Partners' capital—GIP | 648.8 | - | 648.8 |
| Noncontrolling interest | 502.1 | - | 502.1 |
| Accumulated other comprehensive income | 1.2 | - | 1.2 |
| Net parent investment | - | 68.5 | 68.5 |
| Total partners' capital | 1,807.6 | 68.5 | 1,876.1 |
| Total liabilities and partners' capital | $ 2,914.9 | $ 76.3 | $ 2,991.2 |

(1) As previously reported.
(2) The financial position of Hess Water Services as of December 31, 2018.

Consolidated Statements of Operations

| (in millions) | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Revenues and other income | | | |
| Affiliate services | $ 169.3 | $ 14.3 | $ 183.6 |
| Other income | 0.2 | - | 0.2 |
| Total revenues and other income | 169.5 | 14.3 | 183.8 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 39.4 | 10.8 | 50.2 |
| Depreciation expense | 30.6 | 0.9 | 31.5 |
| General and administrative expenses | 2.9 | 0.2 | 3.1 |
| Total costs and expenses | 72.9 | 11.9 | 84.8 |
| Income from operations | 96.6 | 2.4 | 99.0 |
| Interest expense, net | 12.9 | - | 12.9 |
| Net income | 83.7 | 2.4 | 86.1 |
| Less: Net income (loss) attributable to net parent investment | - | 2.4 | 2.4 |
| Less: Net income attributable to noncontrolling interest | 18.3 | - | 18.3 |
| Net income attributable to Hess Infrastructure Partners LP | $ 65.4 | $ - | $ 65.4 |

(1) As previously reported.

(2) Results of Hess Water Services for the three months ended September 30, 2018.

| (in millions) | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Revenues and other income | | | |
| Affiliate services | $ 490.6 | $ 35.6 | $ 526.2 |
| Other income | 0.6 | - | 0.6 |
| Total revenues and other income | 491.2 | 35.6 | 526.8 |
| Costs and expenses | | | |
| Operating and maintenance expenses (exclusive of depreciation shown separately below) | 111.1 | 26.8 | 137.9 |
| Depreciation expense | 90.8 | 2.7 | 93.5 |
| General and administrative expenses | 9.1 | 0.2 | 9.3 |
| Total costs and expenses | 211.0 | 29.7 | 240.7 |
| Income from operations | 280.2 | 5.9 | 286.1 |
| Interest expense, net | 40.1 | - | 40.1 |
| Gain on sale of property, plant and equipment | 0.6 | - | 0.6 |
| Net income | 240.7 | 5.9 | 246.6 |
| Less: Net income (loss) attributable to net parent investment | - | 5.9 | 5.9 |
| Less: Net income attributable to noncontrolling interest | 52.4 | - | 52.4 |
| Net income attributable to Hess Infrastructure Partners LP | $ 188.3 | $ - | $ 188.3 |

(1) As previously reported.
(2) Results of Hess Water Services for the nine months ended September 30, 2018.

Consolidated Statement of Cash Flows

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| (in millions) | Hess Infrastructure Partners LP (1) | Hess Water Services (2) | Consolidated Results |
| Cash flows from operating activities | | | |
| Net income | $ 240.7 | $ 5.9 | $ 246.6 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 90.8 | 2.7 | 93.5 |
| (Gain) loss on sale of property, plant and equipment | (0.6) | - | (0.6) |
| (Gain) loss on interest rate swaps | (0.2) | - | (0.2) |
| Amortization of deferred financing costs | 3.6 | - | 3.6 |
| Unit-based compensation | 0.7 | - | 0.7 |
| Changes in assets and liabilities: | | - | |
| Accounts receivable—affiliate | (6.7) | (3.6) | (10.3) |
| Other current and noncurrent assets | (1.0) | 0.1 | (0.9) |
| Accounts payable—trade | 0.3 | (0.3) | - |
| Accounts payable—affiliate | (3.4) | - | (3.4) |
| Accrued liabilities | 3.0 | 2.6 | 5.6 |
| Other current and noncurrent liabilities | (2.7) | 0.5 | (2.2) |
| Net cash provided by (used in) operating activities | 324.5 | 7.9 | 332.4 |
| Cash flows from investing activities | | | |
| Payments for equity investments | (67.3) | - | (67.3) |
| Proceeds from sale of property, plant and equipment | 1.6 | - | 1.6 |
| Additions to property, plant and equipment | (163.9) | (5.0) | (168.9) |
| Net cash provided by (used in) investing activities | (229.6) | (5.0) | (234.6) |
| Cash flows from financing activities | | | |
| Financing costs | (1.0) | - | (1.0) |
| Distributions to noncontrolling interest | (54.6) | (0.1) | (54.7) |
| Other contributions from (distributions to) partners | - | (2.8) | (2.8) |
| Net cash provided by (used in) financing activities | (55.6) | (2.9) | (58.5) |
| Net increase (decrease) in cash and cash equivalents | 39.3 | - | 39.3 |
| Cash and cash equivalents at beginning of period | 355.7 | - | 355.7 |
| Cash and cash equivalents at end of period | $ 395.0 | $ - | $ 395.0 |

(1) As previously reported.
(2) Cash flows of Hess Water Services for the nine months ended September 30, 2018.

**Note 4. Hess Midstream Partners LP**

We consolidate the activities of Hess Midstream Partners, which is qualified as a variable interest entity (“VIE”) under U.S. GAAP. We have concluded that we are the primary beneficiary of the VIE, as defined in the accounting standards, since we have power, through our 100% ownership of Hess Midstream Partners’ general partner, to direct those activities that most significantly impact the economic performance of Hess Midstream Partners. 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 Hess Midstream Partners, and the absence of substantive kick-out rights or substantive participating rights of limited partners over the general partner.

Hess Midstream Partners has a $300 million senior secured syndicated revolving credit facility, which became available for utilization at completion of the IPO (see Note 8, Debt and Interest Expense). Outstanding borrowings under this credit facility are non-recourse to HIP LP.

## Note 5. Related Party Transactions

### *Commercial Agreements*

Effective January 1, 2014, we entered into (i) gas gathering, (ii) crude oil gathering, (iii) gas processing and fractionation, (iv) storage services, and (v) terminal and export services fee-based commercial agreements with certain subsidiaries of Hess. Effective January 1, 2019, in connection with the Hess Water Services Acquisition, we entered into long-term fee-based water services agreements with certain subsidiaries of Hess. In addition, in 2018, Hess Water Services had documented intercompany arrangements with certain subsidiaries of Hess pursuant to which it provided produced water gathering and disposal services and charged agreed-upon fees per barrel for the services performed.

Under our commercial agreements, we provide gathering, compression, processing, fractionation, storage, terminaling, loading, transportation and produced water disposal services to Hess, for which we receive a fee per barrel of crude oil, barrel of water, Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, delivered during each month, and Hess is obligated to provide us with minimum volumes of crude oil, water, natural gas and NGLs. These agreements also include inflation escalators and fee recalculation mechanisms that allow fees to be adjusted annually. We elected the practical expedient to recognize revenue in the amount to which we have a right to invoice as permitted under ASC 606, Revenue from Contracts with Customers. Due to this election and as the transaction price allocated to our unsatisfied performance obligations is entirely variable, we have elected the exemption provided by ASC 606 from the disclosure of revenue recognizable in future periods as our unsatisfied performance obligations are fulfilled.

In September 2018, we amended and restated our gas gathering and gas processing and fractionation agreements with Hess to enable us to provide certain services to Hess in respect of volumes to be delivered to and processed at the LM4 plant. Effective January 1, 2019, Hess pays us a combined processing fee per Mcf of natural gas, or Mcf equivalent of NGLs, as applicable, for aggregate volumes processed (or to be processed) at LM4 and TGP. Except for the water services agreements and except for a certain gathering sub-system as described below, each of our commercial agreements with Hess retains its initial 10-year term ("Initial Term") and we have the unilateral right to extend each commercial agreement for one additional 10-year term ("Secondary Term"). Initial Term for the water services agreements is 14 years and the Secondary Term is 10 years. The amended and restated gas gathering agreement also extends the Initial Term of the gathering agreement with respect to a certain gathering sub-system by 5 years to provide for a 15-year Initial Term and decreases the Secondary Term for that gathering sub-system by 5 years to provide for a 5-year Secondary Term. In addition, the fee recalculation mechanism continues to apply to the amended and restated agreements and, effective January 1, 2019, incorporates the revenues received and expected to be received by Hess from sourcing third-party dedicated production in order to further align the interests of us and Hess in promoting the growth of third-party volumes on our Bakken assets.

For the three and nine months ended September 30, 2019 and 2018, 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 retain control of our assets and the flow of volumes based on available capacity within our integrated gathering, processing and terminaling systems. Together with Hess, we are pursuing strategic relationships with third-party producers and other midstream companies with operations in the Bakken in order to maximize our utilization rates.

During the three and nine months ended September 30, 2019, we earned $3.0 million and $6.5 million, respectively of minimum volume shortfall fee payments, compared with $11.5 million and $40.9 million for the three and nine months ended September 30, 2018, respectively. In addition, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $12.0 million and $24.1 million, respectively of reimbursements from Hess related to third-party rail transportation costs, compared with $4.5 million and $12.1 million for the three and nine months ended September 30, 2018, respectively. Furthermore, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $14.5 million and $40.2 million, respectively of reimbursements from Hess related to third-party produced water trucking and disposal costs, compared with $10.5 million and $25.9 million, for the three and nine months ended September 30, 2018, respectively. Finally, during the three and nine months ended September 30, 2019, we recognized, as part of affiliate revenues, $8.3 million and $23.2 million, respectively of reimbursements from Hess related to electricity fees, compared with $6.7 million and $20.1 million, for the three and nine months ended September 30, 2018, respectively. The related third-party rail transportation, produced water trucking and disposal costs and electricity fees were included in Operating and maintenance expenses in the accompanying unaudited consolidated statements of operations.

Revenue from contracts with customers on a disaggregated basis was as follows:

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Oil and gas gathering services | $ 86.4 | $ 82.6 | $ 245.6 | $ 243.0 |
| Water gathering and disposal services | 19.5 | 14.3 | 52.4 | 35.6 |
| Processing and storage services | 74.0 | 65.2 | 207.8 | 186.4 |
| Terminaling and export services | 35.0 | 21.5 | 88.7 | 61.2 |
| Total revenues from contracts with customers | 214.9 | 183.6 | 594.5 | 526.2 |
| Other income | - | 0.2 | 0.3 | 0.6 |
| Total revenues | $ 214.9 | $ 183.8 | $ 594.8 | $ 526.8 |

***Omnibus and Employee Secondment Agreements***

Under our omnibus and employee secondment agreements, Hess provides substantial operational and administrative services to us in support of our assets and operations. For the three and nine months ended September 30, 2019 and 2018, we had the following charges from Hess. 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.

| (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Operating and maintenance expenses | $ 13.4 | $ 12.4 | $ 36.3 | $ 35.5 |
| General and administrative expenses | 3.7 | 1.9 | 10.5 | 5.1 |
| Total | $ 17.1 | $ 14.3 | $ 46.8 | $ 40.6 |

***LM4 Agreements***

Separately from our commercial agreements with Hess, effective January 24, 2018, we entered into a gas processing agreement with LM4 under which we deliver natural gas to LM4, and LM4 processes and redelivers certain volumes of residue gas and NGLs resulting from such processing services. The agreement has a 16-year initial term, after which it is automatically renewed for subsequent one-year terms unless terminated by either party. Under this agreement, we pay a processing fee per Mcf of natural gas and reimburse LM4 for our proportionate share of electricity costs. We are entitled to 50% of the available processing capacity of the LM4 gas processing plant. Should Targa not use all of the remaining processing capacity at the plant on any day, such unutilized portion of the available capacity will be available for our use. Regardless of the actual portion of the plant available capacity utilized by each joint venture member during a given period, under the LM4 amended and restated limited liability company agreement, profits and losses of the LM4 joint venture are allocated 50/50 between Targa and us. LM4 was placed in service in the third quarter of 2019.

During the three months ended September 30, 2019, we incurred $0.9 million of expenses under the LM4 gas processing agreement, which are included in Operating and maintenance expenses in the accompanying consolidated statements of operations. In addition, during the three months ended September 30, 2019, we recognized $0.5 million of earnings from equity investments, as presented in our accompanying consolidated statements of operations.

**Note 6. Property, Plant and Equipment**

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

| (in millions, except for number of years) | Estimated useful lives | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| Gathering assets | | | |
| Pipelines | 22 years | $ 1,293.4 | $ 1,098.1 |
| Compressors, pumping stations, and terminals | 22 to 25 years | 656.1 | 558.9 |
| Gas plant assets | | | |
| 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 | 188.2 | 185.5 |
| Logistics facilities and railcars | 20 to 25 years | 385.5 | 385.8 |
| Storage facilities | 20 to 25 years | 19.5 | 19.5 |
| Other | 20 to 25 years | 11.2 | 11.4 |
| Construction-in-progress | N/A | 171.0 | 158.5 |
| Total property, plant and equipment | | 3,795.4 | 3,488.2 |
| Accumulated depreciation | | (857.6) | (752.9) |
| Property, plant and equipment, net | | $ 2,937.8 | $ 2,735.3 |

**Note 7. Accrued Liabilities**

Accrued liabilities are as follows:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Accrued capital expenditures | $ 36.1 | $ 52.4 |
| Accrued interest | 5.7 | 16.9 |
| Other accruals | 27.5 | 16.3 |
| Total | $ 69.3 | $ 85.6 |

**Note 8. Debt and Interest Expense**

***Fixed-Rate Senior Notes***

In November 2017, we issued $800.0 million of 5.625% fixed-rate senior notes due in February 2026 to qualified institutional investors. Hess Infrastructure Partners Finance Corporation, a direct wholly owned subsidiary of the Partnership, serves as co-issuer of the notes, and the notes are guaranteed by certain subsidiaries of the Partnership. Interest is payable semi-annually on February 15 and August 15. The Partnership used the net proceeds to repay borrowings of $479.8 million under its existing credit facilities, to fund a distribution of $50.0 million to its partners and retained the remaining proceeds for general partnership purposes.

***Hess Infrastructure Partners LP Credit Facilities***

At September 30, 2019, the Partnership had $800.0 million of senior secured syndicated credit facilities maturing November 2022, consisting of a $600.0 million 5-year revolving credit facility and a drawn $200.0 million 5-year Term Loan A facility. The revolving credit facility can be used for borrowings and letters of credit to fund the Partnership's operating activities and capital expenditures. The credit facilities are guaranteed by certain of the Partnership's wholly owned subsidiaries and secured by first-priority perfected liens on substantially all of the Partnership's and certain of its wholly owned subsidiaries' directly owned assets, including its equity interests in certain subsidiaries, subject to customary exclusions. At September 30, 2019, borrowings of $165.0 million were outstanding under the Partnership's revolving credit facility, and borrowings of $190.0 million, excluding deferred issuance costs, were outstanding under the Partnership's Term Loan A facility.

Borrowings under the five-year Term Loan A facility generally bear interest at the London Interbank Offered Rate "LIBOR" plus an applicable margin ranging from 1.55% to 2.50%, while the applicable margin for the five-year syndicated revolving credit facility ranges from 1.275% to 2.000%. The interest rate is subject to adjustment based on the Partnership's leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If we obtain an investment grade credit rating, as defined in the credit agreement, both of the credit facilities will become unsecured and the guarantees will be released, and the pricing levels will be based on the credit ratings in effect from time to time. The credit facilities contain representations and warranties, affirmative and negative covenants and events of default that we consider to be customary for agreements of this type, including covenants that require the Partnership to maintain a ratio of total debt to EBITDA (as defined in the credit agreement) for the prior four fiscal quarters of no more than 5.0 to 1.0 (5.5 to 1.0 during the specified period following certain acquisitions), and an interest coverage ratio (as defined in the credit agreement) for the prior four fiscal quarters of no less than 2.25 to 1.0. The credit agreement also includes a secured leverage ratio test not to exceed 3.75 to 1.0 for so long as the facilities remain secured. As of September 30, 2019, we were in compliance with these financial covenants.

***Hess Midstream Partners LP Revolving Credit Facility***

On March 15, 2017, Hess Midstream Partners entered into a four-year, $300.0 million senior secured revolving credit facility that became available to us upon the closing of Hess Midstream Partners' IPO on April 10, 2017. Borrowings on the credit facility generally bear interest at LIBOR plus an applicable margin of 1.275%. The interest rate is subject to adjustment based on Hess Midstream Partners' leverage ratio, which is calculated as total debt to EBITDA (as defined in the credit agreement). If Hess Midstream Partners obtains credit ratings, pricing levels will be based on Hess Midstream Partners' credit ratings in effect from time to time. Hess Midstream Partners 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, 2019, we were in compliance with all covenants. The credit facility is secured by first priority perfected liens on substantially all directly owned assets of Hess Midstream Partners and its wholly-owned subsidiaries, including equity interests in subsidiaries, subject to certain customary exclusions. At September 30, 2019, borrowings of $11.0 million were outstanding under this facility.

On October 4, 2019, Hess Midstream Partners announced that, in conjunction with the proposed transaction, including acquisition of the Partnership, incentive distribution rights simplification and conversion into an "Up-C" corporate structure, our credit facilities will be retired, and Hess Midstream Partners will assume approximately $800 million of outstanding Hess Infrastructure Partners notes in a par-for-par exchange. In addition, Hess Midstream Partners will incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction. See Note 15, Subsequent Events.

***Fair Value Measurement***

The carrying value of the amounts under the revolving credit facilities and the Term Loan A facility at September 30, 2019 and 2018 approximated their fair value. At September 30, 2019, outstanding amounts under the fixed-rate senior notes with a carrying value of $788.4 million had a fair value of approximately $836.9 million, based on Level 2 inputs in the fair value measurement hierarchy.

**Note 9. Cash Distributions**

The following table details the distributions declared and/or paid for the periods presented. Hess Midstream Partners' distributions are paid in the quarter following the end of each respective quarterly period.

| (in millions) Type of Distributions | Period | Distributions to Hess Corporation | Distributions to GIP | Distributions to Noncontrolling Interest | Total Distributions |
|---|---|---|---|---|---|
| Hess Midstream Partners Quarterly Distributions | First Quarter 2018 | $ - | $ - | $ 18.2 | $ 18.2 |
| Hess Midstream Partners Quarterly Distributions | Second Quarter 2018 | $ - | $ - | $ 18.8 | $ 18.8 |
| Hess Midstream Partners Quarterly Distributions | Third Quarter 2018 | $ - | $ - | $ 19.5 | $ 19.5 |
| HIP LP Distributions | Fourth Quarter 2018 | $ 160.0 | $ 162.0 | $ - | $ 322.0 |
| Hess Midstream Partners Quarterly Distributions | Fourth Quarter 2018 | $ - | $ - | $ 20.2 | $ 20.2 |
| Hess Midstream Partners Quarterly Distributions | First Quarter 2019 | $ - | $ - | $ 21.0 | $ 21.0 |
| Hess Midstream Partners Quarterly Distributions | Second Quarter 2019 | $ - | $ - | $ 21.7 | $ 21.7 |
| Hess Midstream Partners Quarterly Distributions | Third Quarter 2019(1) | $ - | $ - | $ 22.5 | $ 22.5 |

(1) For more information, see Note 15, Subsequent Events.

**Note 10. Unit-Based Compensation**

In 2017, Hess Midstream Partners 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 Hess Midstream Partners' general partner or its affiliates, and any individuals who perform services for Hess Midstream Partners. The LTIP provides Hess Midstream Partners 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.

Under the LTIP, Hess Midstream Partners granted awards of phantom units with distribution equivalent rights to certain officers, employees and directors. These phantom units and distribution equivalent rights vest ratably over a three-year period for officers and employees, and vest after one year for directors. Cash distributions on the phantom units accumulate and are paid upon vesting. Fair value of phantom units is based on the fair value of Hess Midstream Partners' common units on the grant date.

Unit-based award activity for the nine months ended September 30, 2019 was as follows:

| | Number of Units | Weighted Average Award Date Fair Value |
|---|---|---|
| Outstanding and unvested units at December 31, 2018 | 114,237 | $ 21.06 |
| Granted | 74,528 | 22.76 |
| Forfeited | (290) | 23.00 |
| Vested | (48,278) | 21.15 |
| Outstanding and unvested units at September 30, 2019 | 140,197 | $ 21.93 |

As of September 30, 2019, $2.2 million of compensation cost related to unvested phantom units awarded under the LTIP remains to be recognized over an expected weighted-average period of 1.9 years.

**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, 2019 and 2018.

**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, 2019, our reserves for estimated remediation liabilities included in Accrued liabilities and Other noncurrent liabilities were $0.1 million and $2.8 million, respectively, compared with $0.6 million and $2.0 million, respectively, as of December 31, 2018.

***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, 2019 and December 31, 2018, we did not have material 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.

***Lease Obligations***

From time to time, we enter into certain lease contracts in connection with ongoing business activities. As of September 30, 2019, we have future minimum lease payments of $0.2 million for the year ended December 31, 2019 and $0.6 million of minimum lease payments for the years thereafter.

**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 net income (loss) before net interest expense, income tax (benefit), depreciation and amortization and our proportional share of depreciation of our equity affiliates, 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.

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

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2019** | | | | | |
| Revenues and other income | $ 105.9 | $ 74.0 | $ 35.0 | $ - | $ 214.9 |
| Net income (loss) | 46.5 | 42.8 | 14.3 | (16.2) | 87.4 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 37.6 | 34.2 | 11.5 | (13.7) | 69.6 |
| Depreciation expense | 20.8 | 11.2 | 4.0 | - | 36.0 |
| Proportional share of equity affiliates' depreciation | - | 0.5 | - | - | 0.5 |
| Interest expense, net | - | - | - | 12.4 | 12.4 |
| Adjusted EBITDA | 67.3 | 54.5 | 18.3 | (3.8) | 136.3 |
| Capital expenditures | 96.7 | 15.0 | 0.4 | - | 112.1 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2018** | | | | | |
| Revenues and other income | $ 96.9 | $ 65.2 | $ 21.7 | $ - | $ 183.8 |
| Net income (loss) | 52.3 | 39.6 | 8.3 | (14.1) | 86.1 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 40.1 | 31.7 | 6.7 | (13.1) | 65.4 |
| Depreciation expense | 16.5 | 11.0 | 4.0 | - | 31.5 |
| Interest expense, net | - | - | - | 12.9 | 12.9 |
| Adjusted EBITDA | 68.8 | 50.6 | 12.3 | (1.2) | 130.5 |
| Capital expenditures | 81.8 | 0.5 | 1.1 | - | 83.4 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Nine Months Ended September 30, 2019** | | | | | |
| Revenues and other income | $ 298.0 | $ 208.0 | $ 88.8 | $ - | $ 594.8 |
| Net income (loss) | 132.5 | 124.2 | 38.8 | (52.9) | 242.6 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 106.8 | 99.3 | 31.2 | (45.7) | 191.6 |
| Depreciation expense | 59.5 | 33.5 | 12.0 | - | 105.0 |
| Proportional share of equity affiliates' depreciation | - | 0.5 | - | - | 0.5 |
| Interest expense, net | - | - | - | 44.2 | 44.2 |
| Adjusted EBITDA | 192.0 | 158.2 | 50.8 | (8.7) | 392.3 |
| Capital expenditures | 284.2 | 23.7 | 0.1 | - | 308.0 |

| (in millions) | Gathering | Processing and Storage | Terminaling and Export | Interest and Other | Consolidated Hess Infrastructure Partners LP |
|---|---|---|---|---|---|
| **For the Nine Months Ended September 30, 2018** | | | | | |
| Revenues and other income | $ 278.6 | $ 186.4 | $ 61.8 | $ - | $ 526.8 |
| Net income (loss) | 154.5 | 111.0 | 24.8 | (43.7) | 246.6 |
| Net income (loss) attributable to Hess Infrastructure Partners LP | 119.5 | 88.6 | 20.0 | (39.8) | 188.3 |
| Depreciation expense | 48.9 | 32.8 | 11.8 | - | 93.5 |
| Interest expense, net | - | - | - | 40.1 | 40.1 |
| Gain on sale of property, plant and equipment | - | - | - | 0.6 | 0.6 |
| Adjusted EBITDA | 203.4 | 143.8 | 36.6 | (4.2) | 379.6 |
| Capital expenditures | 193.2 | 7.9 | 3.3 | - | 204.4 |

Total assets for the reportable segments are as follows:

| (in millions) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Gathering | $ 1,771.8 | $ 1,544.0 |
| Processing and Storage | 1,037.9 | 1,008.6 |
| Terminaling and Export | 312.9 | 320.2 |
| Interest and Other | 18.0 | 118.4 |
| Total assets | $ 3,140.6 | $ 2,991.2 |

**Note 14. 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.

On March 1, 2019, we acquired Hess Water Services (see Note 3, Acquisitions). For the periods prior to March 1, 2019, Hess Water Services was included in the consolidated income tax returns of Hess. The provision for Hess Water Services' income taxes and income tax assets and liabilities were determined as if it was a standalone taxpayer for all periods presented and is included in our retrospectively recast financial statements. Deferred income taxes are determined using the liability method and reflect temporary differences between the financial statement carrying amount and income tax basis of assets and liabilities recorded using the statutory income tax rate. Regular assessments are made of the likelihood of those deferred tax assets being realized. If it is more likely than not that some or all of the deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets to the amount expected to be realized. For the periods following March 1, 2019 Hess Water Services is not taxable itself and is not part of a separate taxable entity; therefore, no income tax provision is recognized. All of the income before income taxes for the periods presented was earned in the United States.

Hess Water Services is in a three-year cumulative loss at the end of 2018 and 2017, which constitutes objective negative evidence to which accounting standards require we assign significant weight relative to subjective estimates, such as income projections. As such, a full valuation allowance is maintained against net deferred tax assets of Hess Water Services, which results in a 0% effective tax rate and zero net deferred tax assets presented on the balance sheet.

**Note 15. Subsequent Events**

We have evaluated subsequent events through November 8, 2019, the date the accompanying consolidated financial statements were available to be issued, and determined the following subsequent events:

On October 24, 2019, the board of directors of Hess Midstream Partners' general partner declared a quarterly cash distribution of $0.4112 per common and subordinated unit for the quarter ended September 30, 2019, an increase of 15% compared with the quarter ended September 30, 2018. The distribution will be payable on November 13, 2019, to unitholders of record as of the close of business on November 4, 2019.

On October 4, 2019, Hess Midstream Partners announced execution of a definitive agreement to acquire the Partnership, including our 80% interest in the Joint Interest Assets, 100% interest in the water services business and outstanding economic general partner interest and incentive distribution rights in Hess Midstream Partners. As consideration for the contribution of Hess and GIP's ownership interests in the Partnership, Hess Midstream Partners will assume approximately $1.15 billion of our existing debt, will issue approximately 230 million limited partner units in Hess Midstream Partners and pay a cash consideration of approximately $550 million to Hess and GIP collectively.

Under the proposed transaction, Hess Midstream Partners' organizational structure will be converted into an "Up-C" structure in which incentive distribution right payments to sponsors are eliminated. Public unitholders will receive newly issued securities in a new public entity to be named "Hess Midstream LP" that will be taxed as a corporation for U.S. federal and state income tax purposes. In connection with the proposed transaction, Hess Midstream Partners will own 100% of the underlying assets and be consolidated under Hess Midstream LP. Hess Midstream Partners' existing public unitholders will receive one class A share representing a limited partner interest in Hess Midstream LP for each Hess Midstream Partners common unit they own. Hess and GIP's ownership will be primarily through class B units of Hess Midstream Partners that are exchangeable into class A shares of Hess Midstream LP on a one-for-one basis. Following the transaction, public shareholders will own 6% of the consolidated entity and Hess and GIP will each own 47% of the consolidated entity on an as-exchanged basis.

In conjunction with the proposed transaction, approximately $355 million in existing borrowings under the Partnership's credit facilities will be retired and Hess Midstream Partners will assume approximately $800 million of the Partnership's outstanding notes in a par-for-par exchange. On October 4, 2019, Hess Midstream Partners announced that it has commenced the offer to exchange the Partnership's notes for new notes to be issued by Hess Midstream Partners and, on October 21, 2019, Hess Midstream Partners announced that 99.32% of the aggregate principal amount of the Partnership's notes have been validly tendered and not validly withdrawn pursuant to the exchange offer as of the early tender date. Hess Midstream Partners expects to pay a consent payment of approximately $2.0 million on the settlement date. In addition, Hess Midstream Partners will incur additional borrowings of approximately $960 million, resulting in expected total debt of $1.77 billion at the close of the transaction.

The proposed transaction has been unanimously approved by Hess Midstream Partners' Board and by a conflicts committee of Hess Midstream Partners' Board comprised of independent directors. The transaction is expected to close in the fourth quarter of 2019, subject to customary closing conditions and receipt of regulatory approvals. The transaction is expected to be treated for accounting purposes as a reorganization of entities under common control and recorded at the historical carrying values of the assets, liabilities and equity interests of the parties to the transaction. Furthermore, following the closing of the transaction, historical financial statements of Hess Midstream Partners will be retrospectively recast to include the historical results of the Partnership.