

# **SHELL MIDSTREAM PARTNERS, L.P. (SHLX)**

Q1 2015 RESULTS  
ANNOUNCEMENT

May 13, 2015



**Shell Midstream Partners**





*This presentation includes various “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Shell Midstream Partners, L.P. to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions. You can identify our forward-looking statements by words such as “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “goals”, “objectives”, “outlook”, “intend”, “plan”, “predict”, “project”, “risks”, “schedule”, “seek”, “target”, “could”, “may”, “will”, “should” or “would” or other similar expressions that convey the uncertainty of future events or outcomes. In accordance with “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, which could cause future outcomes to differ materially from those set forth in forward-looking statements. In particular, expressed or implied statements concerning future actions, conditions or events, future operating results, future dropdowns or the ability to generate sales, income or cash flow or to make distributions are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Forward-looking statements speak only as of the date of this presentation, May 13, 2015, and we disclaim any obligation to update such statements for any reason, except as required by law. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this paragraph. Many of the factors that will determine these results are beyond our ability to control or predict. These factors include the risk factors described in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 25, 2015. If any of those risks occur, it could cause our actual results to differ materially from those contained in any forward-looking statement. Because of these risks and uncertainties, you should not place undue reliance on any forward-looking statement.*

# KEY HIGHLIGHTS

First full quarter as a publicly traded partnership

Excellent HSE performance

Strong financial performance

Q1 distribution 7.7% higher than minimum quarterly distribution

Drop down announcement



# TRANSACTION SUMMARY

- \$448 million inaugural drop down from Shell Pipeline
- Acquiring additional interests in assets currently owned by Shell Midstream Partners effective April 1, 2015
  - 19.5% interest in Zydeco
    - Total SHLX ownership of 62.5% post drop
  - 1.388% interest in Colonial
    - Total SHLX ownership of 3.0% post drop
- Immediately and strongly accretive to distributable cash flow per unit
- Zydeco provides a critical outlet to alleviate current transportation bottlenecks of crude oil arriving in Houston, TX from the Eagle Ford shale, Permian Basin and Bakken shale
- Colonial is a 5,500-mile refined products system that connects refineries in the Gulf Coast to demand centers along the East Coast
- SHLX intends to do 3 drops in 2015

## Zydeco Pipeline

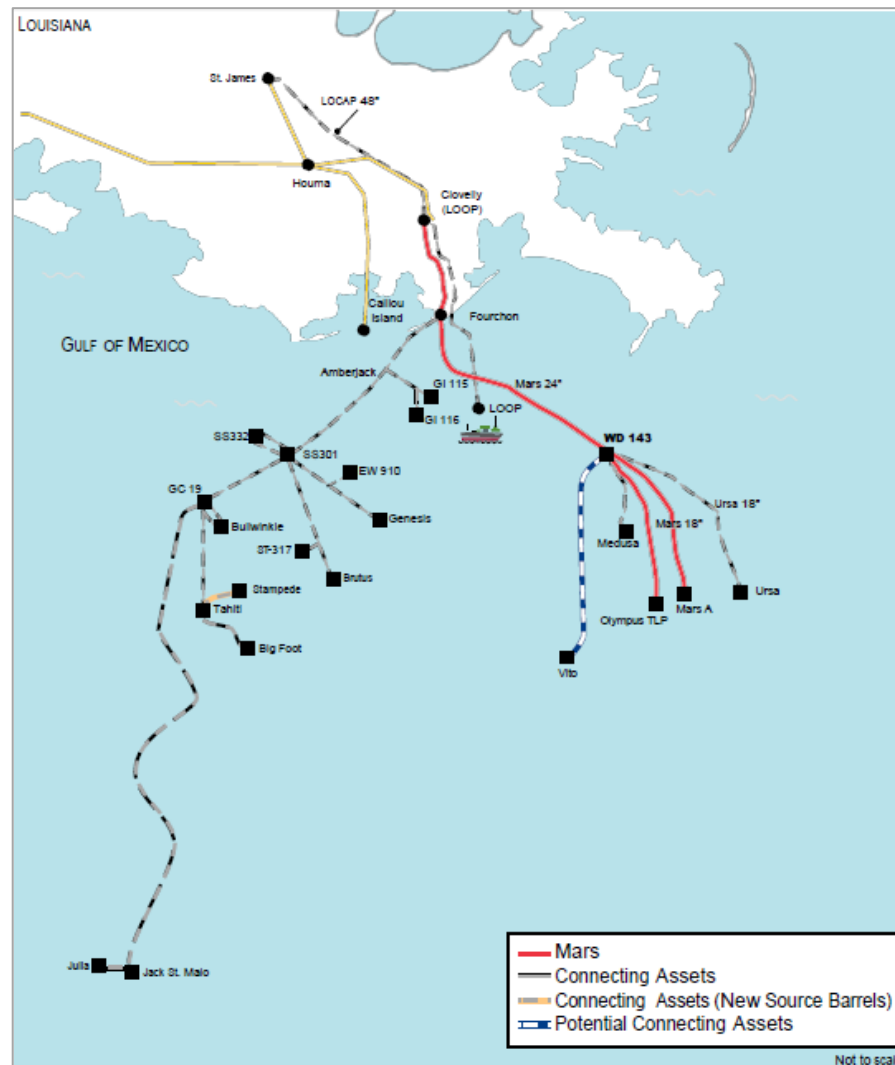


## Colonial Pipeline



- Producer turnaround at Mars platform expected in Q2. Estimated impact to Mars revenue attributable to the partnership is \$800,000 for the second quarter.
  - No extraordinary expenses expected on the Mars pipeline system associated with turnaround
- Maintenance work is underway at storage caverns at LOOP's Clovelly Dome Storage Terminal
  - SPLC will indemnify SHLX for costs above the \$500,000 deductible set forth in the Omnibus agreement
  - No change to normal operating activity
- Zydeco maintenance project to replace two-mile section of pipe expected in Q4 pending permitting
  - SPLC will assume 100% responsibility for the expenses associated with the project

## MARS PIPELINE





	Actuals (unaudited)
	Three Months Ended March 31, 2015 (\$ million)
Revenue (Zydeco only)	51.7
Cost and Expenses (Zydeco & MLP G&A)	24.0
Operating Income	27.7
Income from Equity Investments	12.5
Dividend Income	1.6
Net Income	41.4
Net Income Attributable to SHLX	23.6
Adjusted EBITDA Attributable to SHLX	28.5
Cash Available for Distribution	30.9

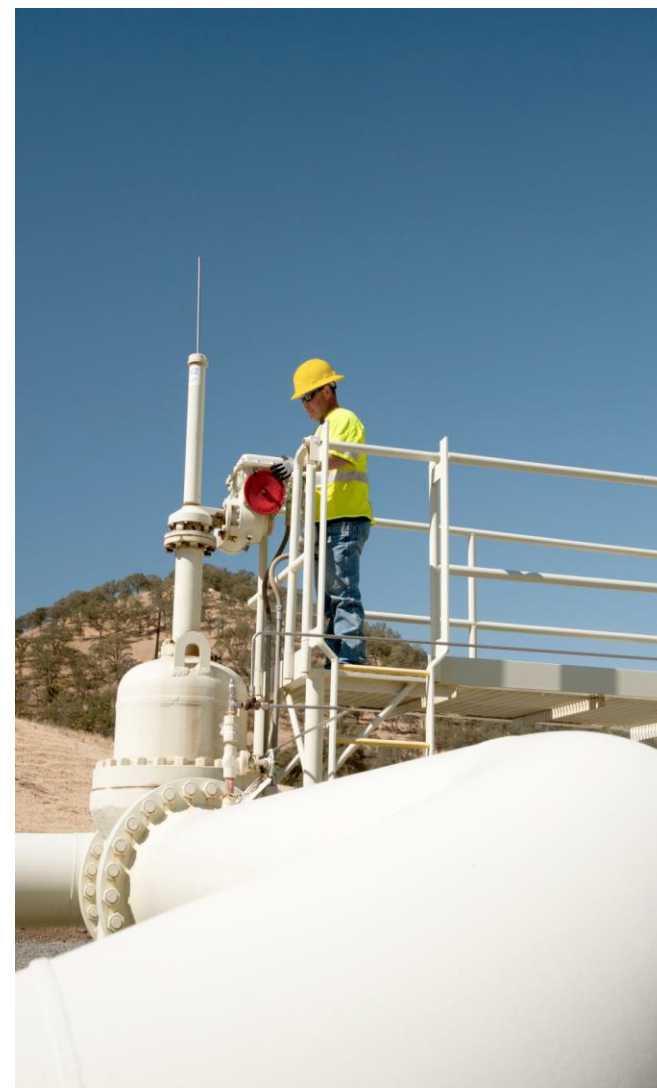


# NON-GAAP FINANCIAL MEASURES

Shell Midstream Partners



Attributable to Shell Midstream Partners	Three Months Ended March 31, 2015 (\$ million)
Adjusted EBITDA	28.5
Less:	
Net Interest Paid	0.1
Zydeco Maintenance Capital Attributable to SHLX	0.5
Plus:	
Adjustments from Minimum Volume Commitments	3.0
Cash Available for Distribution	30.9
Total Cash Distributed	24.1
Cash Distribution per Unit	0.1750
Coverage Ratio	1.3



As of  
March 31, 2015  
(\$ million)

Cash and Cash Equivalents	157
Total Debt	0
Revolving Credit Facility Capacity as of May 12, 2015	400





The background of the slide is a photograph of an industrial facility. It features large, white, cylindrical pipes with yellow flanges, a white storage tank with a metal railing and stairs, and a chain-link fence in the distance under a clear blue sky.

For further questions, please contact  
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*This presentation includes the terms Adjusted EBITDA and cash available for distribution. Adjusted EBITDA and cash available for distribution are non-GAAP supplemental financial measures that management and external users of our combined financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:*

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

*We believe that the presentation of Adjusted EBITDA and cash available for distribution provides useful information to investors in assessing our financial condition and results of operations. The GAAP measures most directly comparable to Adjusted EBITDA and cash available for distribution are net income attributable to Shell Midstream Partners, L.P. and net cash provided by operating activities. These non-GAAP measures should not be considered as alternatives to GAAP net income or net cash provided by operating activities. Adjusted EBITDA and cash available for distribution have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. They should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. Additionally, because Adjusted EBITDA and cash available for distribution may be defined differently by other companies in our industry, our definition of Adjusted EBITDA and cash available for distribution may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.*

*References in this press release to Adjusted EBITDA refer to net income before taxes, net interest expense, gain or loss from disposition of fixed assets, allowance oil reduction to net realizable value, and depreciation and amortization, plus cash distributed to Shell Midstream Partners, L.P. from equity investments for the applicable period, less income from equity investments. We define Adjusted EBITDA attributable to Shell Midstream Partners as Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests. References to cash available for distribution refer to Adjusted EBITDA attributable to Shell Midstream Partners, less maintenance capital expenditures attributable to Shell Midstream Partners, net interest paid, cash reserves and income taxes paid, plus net adjustments from volume deficiency payments attributable to Shell Midstream Partners. Cash available for distribution will not reflect changes in working capital balances.*