



## SHELL MIDSTREAM PARTNERS, L.P.

### 1st QUARTER 2019 UNAUDITED RESULTS

**1<sup>ST</sup>**  
**QUARTER**  
**2019**

- The Partnership reported \$132 million of net income attributable to the partnership, \$150 million of net cash provided by operating activities, \$170 million of adjusted EBITDA attributable to the partnership and \$140 million of cash available for distribution.
- First quarter distribution of \$0.415 per common unit, up 3.75% from previous quarter, which supports the partnership's intent to deliver mid-teens annual distribution growth through 2019.
- Continued strength in the Gulf of Mexico and improved terminal and storage performance, which partially offset decreased revenue related to the expiration of two Zydeco contracts.
- Sponsor IDR growth waiver of \$17 million favorably impacted the limited partners' interest in net income attributable to the partnership.

HOUSTON, May 2, 2019 – Shell Midstream Partners, L.P. (NYSE: SHLX), a growth-oriented master limited partnership formed by Royal Dutch Shell plc (“RDS”), reported net income attributable to the partnership of \$132 million for the first quarter of 2019, which equated to \$0.47 per common limited partner unit. Shell Midstream Partners also generated adjusted earnings before interest, income taxes, depreciation and amortization attributable to the partnership of \$170 million.

“Our first quarter performance again demonstrates the Partnership delivering against its commitments to the market,” said Kevin Nichols, CEO, Shell Midstream Partners, GP LLC. “Our corridor strategy in the Gulf of Mexico continues to show strength, with organic growth being realized across our key offshore systems. Our diversified portfolio offers stability as we continue to navigate the evolving market dynamics that we see in the onshore. Our objective remains the same – to generate value for our unitholders, and I’m confident in our ability to do so.”

Total cash available for distribution was \$140 million, approximately \$16 million lower than the prior quarter. The financial results of the quarter were largely impacted by lower revenues related to the expiration of two contracts on the Zydeco system, which was partially offset by improved revenue and cost performance across our terminal and storage assets. Further, organic growth on the Amberjack pipeline, as well as the Auger pipeline volumes returning from unplanned turnarounds, helped offset the decreased revenue when compared to the fourth quarter.

The Board of Directors of the general partner previously declared a cash distribution of \$0.415 per limited partner unit for the first quarter of 2019. This distribution represented an increase of 3.75% over the fourth quarter 2018 distribution and a 19.25% increase over the first quarter 2018 distribution. This represents the seventeenth consecutive quarter of distribution growth, and meets the Partnership’s previously disclosed guidance of mid-teens annual distribution growth in 2019.

## FINANCIAL HIGHLIGHTS

- Net income attributable to the partnership was \$132 million, compared to \$141 million for the prior quarter.
- Net cash provided by operating activities was \$150 million, compared to \$141 million for the prior quarter.
- Cash available for distribution was \$140 million, compared to \$156 million for the prior quarter, largely driven by lower revenues from Zydeco related to two contracts expiring.
- Total cash distribution declared was \$119 million resulting in a coverage ratio of 1.2x.
- Adjusted EBITDA attributable to the partnership was \$170 million, compared to \$179 million for the prior quarter.
- As of March 31, 2019, the Partnership had \$226 million of consolidated cash and cash equivalents on hand.
- As of March 31, 2019, the Partnership had total debt of \$2.1 billion, equating to 3.1x Debt to annualized Q1 2019 Adjusted EBITDA. Current debt levels are well within targeted range and provide full flexibility to continue to grow in line with guidance.

*Cash available for distribution and Adjusted EBITDA are non-GAAP supplemental financial measures. See reconciliation to their most comparable GAAP measures later in this press release.*

## ASSET HIGHLIGHTS

### Significant Onshore Pipeline Transportation:

- Zydeco - Mainline volumes were 628 kbpd in the current quarter, compared to 704 kbpd in the prior quarter. Decrease in volumes related to two contracts which expired at the end of 2018.
- Terminals and Storage - Improved revenues and lower project spend when compared to the prior quarter.

### Significant Offshore Pipeline Transportation:

- Amberjack - Volumes were 362 kbpd in the current quarter, compared to 351 kbpd in the prior quarter. Continued growth is expected on the pipeline as new production comes online.
- Mars - Volumes were 556 kbpd compared to 566 kbpd in the prior quarter, relatively consistent as producers continue active in-field drilling programs.
- Auger - Volumes were 86 kbpd, higher than the prior quarter of 70 kbpd due to connected facilities coming back online after late 2018 unplanned turnarounds. We expect to receive approximately \$3 million in the second quarter of 2019 for business interruption recoveries associated with outages in 2018.
- Eastern Corridor - Volumes were 470 kbpd compared to 415 kbpd in the prior quarter largely due to organic growth as new tie-backs ramp up production to the pipelines.

## ABOUT SHELL MIDSTREAM PARTNERS, L.P.

Shell Midstream Partners, L.P., headquartered in Houston, Texas, is a growth-oriented master limited partnership formed by Royal Dutch Shell plc to own, operate, develop and acquire pipelines and other midstream assets. Shell Midstream Partners, L.P.'s assets include interests in entities that own crude oil and refined products pipelines and terminals that serve as key infrastructure to (i) transport onshore and offshore crude oil production to Gulf Coast and Midwest refining markets and (ii) deliver refined products from those markets to major demand centers. Our assets also include interests in entities that own natural gas and refinery gas pipelines that transport offshore natural gas to market hubs and deliver refinery gas from refineries and plants to chemical sites along the Gulf Coast.

For more information on Shell Midstream Partners and the assets owned by the partnership, please visit [www.shellmidstreampartners.com](http://www.shellmidstreampartners.com).

## FORTHCOMING EVENTS

Shell Midstream Partners, L.P. will hold a webcast at 9:00am CT tomorrow to discuss the reported results and provide an update on partnership operations. Interested parties may listen to the conference call on Shell Midstream Partners, L.P.'s website at [www.shellmidstreampartners.com](http://www.shellmidstreampartners.com) by clicking on the "2019 First-Quarter Financial Results Call" link, found under the "Events and Conferences" section. A replay of the conference call will be available following the live webcast.

## Summarized Financial Statement Information

(in millions of dollars, except per unit data)	For the Three Months Ended	
	March 31, 2019	December 31, 2018
<b>Revenue</b> <sup>(1)</sup>	\$ 131	\$ 142
<b>Costs and expenses</b>		
Operations and maintenance	27	33
Cost of product sold	9	10
Loss (gain) from revision of asset retirement obligation	2	(3)
General and administrative	12	15
Depreciation, amortization and accretion	12	11
Property and other taxes	4	3
Total costs and expenses	66	69
<b>Operating income</b>	65	73
Income from equity method investments	70	74
Dividend income from other investments	14	14
Other income	8	7
Investment, dividend and other income	92	95
Interest expense, net	20	20
Income before income taxes	137	148
Income tax expense	—	—
<b>Net income</b>	137	148
Less: Net income attributable to noncontrolling interests	5	7
Net income attributable to the Partnership	\$ 132	\$ 141
Less: General partner's interest in net income attributable to the Partnership	27	40
<b>Limited Partners' interest in net income attributable to the Partnership</b>	<u>\$ 105</u>	<u>\$ 101</u>
Net income per Limited Partner Unit – Basic and Diluted:		
Common	\$ 0.47	\$ 0.45
Weighted average Limited Partner Units outstanding – Basic and Diluted:		
Common units – public	123.8	123.8
Common units – SPLC	100.0	100.0

<sup>(1)</sup> Deferred revenue for the three months ended March 31, 2019 and December 31, 2018, including the impact of overshipments and expiring credits, was \$10 million and \$4 million, respectively.

## Reconciliation of Adjusted EBITDA and Cash Available for Distribution to Net Income

	For the Three Months Ended	
	March 31, 2019	December 31, 2018
Net income	\$ 137	\$ 148
Add:		
Loss (gain) from revision of asset retirement obligation	2	(3)
Allowance oil reduction to net realizable value	—	6
Depreciation, amortization and accretion	12	11
Interest expense, net	20	20
Income tax expense	—	—
Cash distribution received from equity method investments	83	84
Less:		
Equity method distributions included in other income	8	7
Income from equity method investments	70	74
Adjusted EBITDA	176	185
Less:		
Adjusted EBITDA attributable to noncontrolling interests	6	6
Adjusted EBITDA attributable to the Partnership	170	179
Less:		
Net interest paid attributable to the Partnership <sup>(1)</sup>	20	20
Income taxes paid attributable to the Partnership	—	—
Maintenance capex attributable to the Partnership	8	7
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(9)	—
Reimbursements from Parent included in partners' capital	7	4
Cash available for distribution attributable to the Partnership	\$ 140	\$ 156

<sup>(1)</sup> Amount represents both paid and accrued interest attributable to the period.

See "Non-GAAP Financial Measures" later in this press release.

## Reconciliation of Adjusted EBITDA and Cash Available for Distribution to Net Cash Provided by Operating Activities

	For the Three Months Ended	
	March 31, 2019	December 31, 2018
Net cash provided by operating activities	\$ 150	\$ 141
Add:		
Interest expense, net	20	20
Income tax expense	—	—
Return of investment	8	7
Less:		
Change in deferred revenue and other unearned income	(8)	—
Allowance oil reduction to net realizable value	—	6
Change in other assets and liabilities	10	(23)
Adjusted EBITDA	176	185
Less:		
Adjusted EBITDA attributable to noncontrolling interests	6	6
Adjusted EBITDA attributable to the Partnership	170	179
Less:		
Net interest paid attributable to the Partnership <sup>(1)</sup>	20	20
Income taxes paid attributable to the Partnership	—	—
Maintenance capex attributable to the Partnership	8	7
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(9)	—
Reimbursements from Parent included in partners' capital	7	4
Cash available for distribution attributable to the Partnership	\$ 140	\$ 156

<sup>(1)</sup> Amount represents both paid and accrued interest attributable to the period.

See "Non-GAAP Financial Measures" later in this press release.

## Distribution Information

(in millions of dollars, except per-unit and ratio data)

	For the Three Months Ended	
	March 31, 2019	December 31, 2018
Quarterly distribution declared per unit	\$ 0.4150	\$ 0.4000
Adjusted EBITDA attributable to the Partnership <sup>(1)</sup>	\$ 170	\$ 179
Cash available for distribution attributable to the Partnership <sup>(1)</sup>	\$ 140	\$ 156
Distribution declared:		
Limited partner units - common	\$ 93	\$ 89
General partner units	26	40
Total distribution declared	\$ 119	\$ 129
Coverage Ratio <sup>(2)</sup>	1.2	1.2

<sup>(1)</sup> Non-GAAP measures. See reconciliation tables earlier in this press release.

<sup>(2)</sup> Coverage ratio is equal to Cash available for distribution attributable to the Partnership divided by Total distribution declared.

## Capital Expenditures and Investments

	For the Three Months Ended	
	March 31, 2019	December 31, 2018
Expansion capital expenditures	\$ 5	\$ 5
Maintenance capital expenditures	5	6
Total capital expenditures paid	\$ 10	\$ 11
Contributions to investment	\$ 5	\$ 7

## Condensed Consolidated Balance Sheet Information

	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 226	\$ 208
Equity method investments	814	823
Property, plant & equipment, net	740	742
Total assets	1,915	1,914
Related party debt	2,091	2,091
Total deficit	(254)	(257)

## Pipeline and Terminal Volumes and Revenue per Barrel

	For the Three Months Ended	
	March 31, 2019	December 31, 2018
<b>Pipeline throughput (thousands of barrels per day) <sup>(1)</sup></b>		
Zydeco – Mainlines	628	704
Zydeco – Other segments	256	265
Zydeco total system	884	969
Amberjack total system	362	351
Mars total system	556	566
Bengal total system	500	521
Poseidon total system	253	252
Auger total system	86	70
Delta total system	273	244
Na Kika total system	45	41
Odyssey total system	152	130
LOCAP total system	1,216	1,234
Other systems	194	356
<b>Terminals <sup>(2)(3)</sup></b>		
Lockport terminaling throughput and storage volumes	222	195
<b>Revenue per barrel (\$ per barrel)</b>		
Zydeco total system <sup>(4)</sup>	\$ 0.62	\$ 0.76
Amberjack total system <sup>(4)</sup>	2.51	2.51
Mars total system <sup>(4)</sup>	1.21	1.15
Bengal total system <sup>(4)</sup>	0.39	0.36
Auger total system <sup>(4)</sup>	1.37	1.47
Delta total system <sup>(4)</sup>	0.56	0.63
Na Kika total system <sup>(4)</sup>	0.76	0.85
Odyssey total system <sup>(4)</sup>	0.91	0.92
Lockport total system <sup>(5)</sup>	0.22	0.24

<sup>(1)</sup> Pipeline throughput is defined as the volume of delivered barrels.

<sup>(2)</sup> Terminaling throughput is defined as the volume of delivered barrels and storage is defined as the volume of stored barrels.

<sup>(3)</sup> Refinery Gas Pipeline and our refined products terminals are not included above as they generate revenue under transportation and terminaling service agreements, respectively, that provide for guaranteed minimum throughput.

<sup>(4)</sup> Based on reported revenues from transportation and allowance oil divided by delivered barrels over the same time period. Actual tariffs charged are based on shipping points along the pipeline system, volume and length of contract.

<sup>(5)</sup> Based on reported revenues from transportation and storage divided by delivered and stored barrels over the same time period. Actual rates are based on contract volume and length.

## FORWARD LOOKING STATEMENTS

*This press release includes various “forward-looking statements.” 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 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”, “should” or “would” or other similar expressions that convey the uncertainty of future events or outcomes. 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 growth, future actions, closing and funding of acquisitions, future drop downs, volumes, capital requirements, conditions or events, future impact of prior acquisitions, future operating results or the ability to generate sales, income or cash flow or the amount of 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 press release, May 2, 2019, 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 for the year ended December 31, 2018, as updated by the information in our other filings with the SEC. 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.*

## NON-GAAP FINANCIAL MEASURES

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

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis or, in the case of Adjusted EBITDA, financing methods;*
- the ability of our 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.*

*The GAAP measures most directly comparable to Adjusted EBITDA and cash available for distribution are net income 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 income taxes, net interest expense, gain or loss from disposition of fixed assets, allowance oil reduction to net realizable value, and depreciation, amortization and accretion, plus cash distributed to Shell Midstream Partners, L.P. from equity method investments for the applicable period, less equity method distributions included in other income and income from equity method investments. We define Adjusted EBITDA attributable to Shell Midstream Partners, L.P. as Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests and Adjusted EBITDA attributable to Parent. References to cash available for distribution refer to Adjusted EBITDA attributable to Shell Midstream Partners, L.P., less maintenance capital expenditures attributable to Shell Midstream Partners, L.P., net interest paid, cash reserves and income taxes paid, plus net adjustments from volume deficiency payments attributable to Shell Midstream Partners, L.P., reimbursements from Parent included in partners' capital and certain one-time payments not reflected in net income. Cash available for distribution will not reflect changes in working capital balances.*



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