



## SHELL MIDSTREAM PARTNERS, L.P.

2nd QUARTER 2018 UNAUDITED RESULTS

**2<sup>ND</sup>**  
**QUARTER**  
**2018**

- The Partnership reported \$110.7 million of net income attributable to the partnership, \$104.2 million of net cash provided by operating activities, \$155.2 million of adjusted EBITDA attributable to the partnership, and \$136.6 million of cash available for distribution.
- Second quarter distribution of \$0.3650 per common unit, up 4.9% from previous quarter, which supports the partnership's intent to deliver 20% annual distribution growth through 2018.
- Completed the acquisition of an interest in Amberjack Pipeline Company LLC during the quarter, a pipeline system with a strong growth outlook as development continues.

HOUSTON, August 2, 2018 – Shell Midstream Partners, L.P. (NYSE: SHLX), a growth-oriented midstream master limited partnership formed by Royal Dutch Shell plc (“RDS”), reported net income attributable to the partnership of \$110.7 million for the second quarter of 2018, which equated to \$0.35 per common limited partner unit. Shell Midstream Partners also generated adjusted earnings before interest, income taxes, depreciation and amortization attributable to the partnership of \$155.2 million.

“I’m very pleased with the operational and financial results for the quarter. We saw strong performance from our base business, as evidenced by record high volume on our Zydeco Pipeline,” said Kevin Nichols, CEO Shell Midstream Partners, GP LLC. “In addition, we are seeing strong results from our most recent acquisition, an ownership interest in the Amberjack Pipeline. This is a pipeline system with a strong growth outlook - over 18% growth in dividends in 2018 alone and a clear line of sight to additional growth in 2019.”

Total cash available for distribution was \$136.6 million, approximately \$57 million higher than the prior quarter. The improved financial results of the quarter were largely driven by the Zydeco pipeline returning to normal operations and the acquisition of an ownership interest in the Amberjack Pipeline, partially offset by the one-time increased Colonial dividend paid in the first quarter and planned producer maintenance offshore.

The Board of Directors of the general partner previously declared a cash distribution of \$0.3650 per limited partnership unit for the second quarter of 2018. This distribution represented an increase of 4.9% over the first quarter 2018 distribution and 20% increase over the second quarter 2017 distribution. This represents the thirteenth consecutive quarter of distribution growth, which supports the partnership's intent to increase distributions by 20% in 2017 and 2018.

## FINANCIAL HIGHLIGHTS

- Net income attributable to the partnership was \$110.7 million, compared to \$64.0 million for the prior quarter.
- Net cash provided by operating activities was \$104.2 million, compared to \$109.0 million for the prior quarter.
- Cash available for distribution was \$136.6 million, compared to \$80.1 million for the prior quarter, largely driven by Zydeco returning to normal operations and the acquisition of an interest in the Amberjack Pipeline, partially offset by the one-time increased Colonial dividend paid in the first quarter and planned producer maintenance offshore.
- Total cash distribution declared was \$113.4 million resulting in a healthy coverage ratio of 1.2x.
- Adjusted EBITDA attributable to the partnership was \$155.2 million, compared to \$95.8 million for the prior quarter.
- As of June 30, 2018, the Partnership had \$174.9 million of consolidated cash and cash equivalents on hand.
- As of June 30, 2018, the Partnership had total debt of \$2.1 billion, equating to 3.4x Debt to Adjusted EBITDA. Current debt levels are well within targeted range and provide full flexibility to continue to grow in line with guidance.
- On July 31, 2018, we entered into a seven-year fixed rate credit facility with Shell Treasury Center (West) Inc. with a borrowing capacity of \$600 million. The new facility was fully drawn on August 1, 2018 to partially repay borrowings under an existing revolving credit facility.

*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 661 kbpd in the current quarter, compared to 471 kbpd in the prior quarter. Total volumes on the system reached a new record high due to strong spot movement demand originating out of Texas.
- Refinery Gas Pipelines - Volumes were as expected backed by long-term transportation services agreements with minimum volume commitments.
- Colonial - Dividends were \$6.7 million, in line with historical levels.

### Significant Offshore Pipeline Transportation:

- Amberjack - Volumes were 309 kbpd. Significant growth is expected on the pipeline as Stampede continues to ramp up through 2018.
- Mars - Volumes were 451 kbpd compared to 466 kbpd in the prior quarter largely driven by the 28-day planned producer turnaround at the Mars platform. The impact of the turnaround was approximately \$7 million to Net income and Cash Available for Distribution as previously guided.
- Poseidon - Volumes were 226 kbpd, slightly lower than the prior quarter. Beginning in March 2018, equity accounting has been suspended and distributions are recognized in "Other income". However, this does not affect Poseidon's impact on our Cash Available for Distribution.
- Auger - Volumes were 48 kbpd, higher than the prior quarter of 31 kbpd due to a full quarter of Auger platform production. The Enchilada platform returned to service in mid-July. Business interruption insurance recovery was \$2.0 million in the second quarter of 2018, and we expect to receive approximately \$2.5 million later in 2018.
- Eastern Corridor - Volumes were 332 kbpd compared to 359 kbpd in the prior quarter largely due to softer volumes from Na Kika pipeline.

## ABOUT SHELL MIDSTREAM PARTNERS, L.P.

Shell Midstream Partners, L.P., headquartered in Houston, Texas, is a fee-based, growth-oriented midstream master limited partnership formed by Royal Dutch Shell plc to own, operate, develop and acquire pipelines and other midstream assets. Shell Midstream Partner, 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 today 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 "2018 Second-Quarter Financial Results Webcast" link, found under the "Events and Conferences" section. A replay of the conference call will be available following the live webcast.

## Unaudited Summarized Financial Statement Information

(in millions of dollars)	For the Three Months Ended	
	June 30, 2018	March 31, 2018
Revenue <sup>(1)</sup>	\$ 129.3	\$ 99.6
Costs and expenses		
Operations and maintenance	38.2	56.5
Cost of product sold	2.4	6.5
General and administrative	16.1	14.8
Depreciation, amortization and accretion	11.4	11.4
Property and other taxes	4.5	5.5
Total costs and expenses	72.6	94.7
Operating income	56.7	4.9
Income from equity method investments	48.4	40.2
Dividend income from investment	12.8	24.9
Other income	10.9	5.4
Investment, dividend and other income	72.1	70.5
Interest expense, net	13.3	10.6
Income before income taxes	115.5	64.8
Income tax expense	0.1	—
Net income	115.4	64.8
Net income attributable to Parent	—	—
Less: Net income attributable to noncontrolling interests	4.7	0.8
Net income attributable to the Partnership	\$ 110.7	\$ 64.0
Less: General partner's interest in net income attributable to the Partnership	31.6	27.0
Limited Partners' interest in net income attributable to the Partnership	\$ 79.1	\$ 37.0
Net income per Limited Partner Unit – Basic and Diluted:		
Common	\$ 0.35	\$ 0.18
Weighted average Limited Partner Units outstanding – Basic and Diluted (in millions):		
Common units – public	123.8	113.8
Common units – SPLC	100.0	95.6

<sup>(1)</sup> Deferred revenue for the three months ended June 30, 2018 and March 31, 2018, including the impact of overshipments and expiring credits, was \$4.8 million and \$3.4 million, respectively.

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

(in millions of dollars)	For the Three Months Ended	
	June 30, 2018	March 31, 2018
Net income	\$ 115.4	\$ 64.8
Add:		
Depreciation, amortization and accretion	11.4	11.4
Interest expense, net	13.3	10.6
Income tax expense	0.1	—
Cash distribution received from equity method investments	77.4	51.1
Less:		
Equity method distributions included in other income	8.9	0.7
Income from equity method investments	48.4	40.2
Adjusted EBITDA	160.3	97.0
Less:		
Adjusted EBITDA attributable to noncontrolling interests	5.1	1.2
Adjusted EBITDA attributable to the Partnership	155.2	95.8
Less:		
Net interest paid attributable to the Partnership <sup>(1)</sup>	13.2	10.6
Income taxes paid attributable to the Partnership	0.1	—
Maintenance capex attributable to the Partnership	5.7	7.7
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(1.3)	(1.8)
Reimbursements from Parent included in partners' capital	1.7	4.4
Cash Available for Distribution Attributable to the Partnership	\$ 136.6	\$ 80.1

<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

(in millions of dollars)	For the Three Months Ended	
	June 30, 2018	March 31, 2018
Net cash provided by operating activities	\$ 104.2	\$ 109.0
Add:		
Interest expense, net	13.3	10.6
Income tax expense	0.1	—
Return of investment	21.5	11.1
Less:		
Change in deferred revenue and other unearned income	(1.3)	(2.0)
Non-cash interest expense	0.2	0.2
Change in other assets and liabilities	(20.1)	35.5
Adjusted EBITDA	160.3	97.0
Less:		
Adjusted EBITDA attributable to noncontrolling interests	5.1	1.2
Adjusted EBITDA attributable to the Partnership	155.2	95.8
Less:		
Net interest paid attributable to the Partnership <sup>(1)</sup>	13.2	10.6
Income taxes paid attributable to the Partnership	0.1	—
Maintenance capex attributable to the Partnership	5.7	7.7
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(1.3)	(1.8)
Reimbursements from Parent included in partners' capital	1.7	4.4
Cash Available for Distribution Attributable to the Partnership	\$ 136.6	\$ 80.1

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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	
	June 30, 2018	March 31, 2018
Quarterly distribution declared per unit	\$ 0.3650	\$ 0.3480
Adjusted EBITDA attributable to the Partnership <sup>(1)</sup>	\$ 155.2	\$ 95.8
Cash available for distribution attributable to the Partnership <sup>(1)</sup>	\$ 136.6	\$ 80.1
Distribution declared:		
Limited partner common units	\$ 81.7	\$ 77.9
General partner units	31.7	27.8
Total distribution declared	\$ 113.4	\$ 105.7
Coverage ratio <sup>(2)</sup>	1.2	0.8

<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

(in millions of dollars)

	For the Three Months Ended	
	June 30, 2018	March 31, 2018
Expansion capital expenditures	\$ 5.7	\$ 4.0
Maintenance capital expenditures	10.0	5.4
Total capital expenditures paid	\$ 15.7	\$ 9.4

## Condensed Consolidated Balance Sheet Information

(in millions of dollars)

	June 30, 2018	March 31, 2018
Cash and cash equivalents	\$ 174.9	\$ 184.7
Property, plant & equipment, net	741.2	739.9
Total assets	1,870.4	1,387.7
Related party debt	2,091.5	871.3
Total (deficit) equity	(320.8)	410.3

## Pipeline and Terminal Volumes and Revenue per Barrel

	For the Three Months Ended	
	June 30, 2018	March 31, 2018
<b>Pipeline throughput (thousands of barrels per day) <sup>(1)</sup></b>		
Zydeco – Mainlines	661	471
Zydeco – Other segments	230	257
Zydeco total system	891	728
Amberjack total system	309	276
Mars total system	451	466
Bengal total system	567	531
Poseidon total system	226	239
Auger total system	48	31
Delta total system	201	214
Na Kika total system	41	36
Odyssey total system	90	109
LOCAP total system	1,254	1,182
Other systems	350	366
<b>Terminals <sup>(2)(5)</sup></b>		
Lockport terminaling throughput and storage volumes	234	246
<b>Revenue per barrel (\$ per barrel)</b>		
Zydeco total system <sup>(3)</sup>	\$ 0.81	\$ 0.51
Amberjack total system <sup>(3)</sup>	2.48	2.50
Mars total system <sup>(3)</sup>	1.15	1.24
Bengal total system <sup>(3)</sup>	0.34	0.31
Auger total system <sup>(3)</sup>	1.30	1.05
Delta total system <sup>(3)</sup>	0.56	0.55
Na Kika total system <sup>(3)</sup>	0.74	0.72
Odyssey total system <sup>(3)</sup>	0.96	0.85
Lockport total system <sup>(4)</sup>	0.20	0.18

<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> 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>(4)</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.

<sup>(5)</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.

### 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, August 2, 2018, 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, 2017, 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 condensed 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.

August 2, 2018

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The information in this Report reflects the unaudited condensed consolidated financial position and results of Shell Midstream Partners, L.P.

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