



Shell Midstream Partners, L.P. (SHLX) Q4 2017 Results

February 27, 2018

Definitions and Cautionary Note

This presentation includes various “forward-looking statements” within the meaning of the Securities Act of 1933, as amended, and 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 management’s expectations, beliefs, estimates, forecasts, projections and assumptions. You can identify our forward-looking statements by words such as “anticipate”, “believe”, “estimate”, “budget,” “continue,” “potential,” “guidance,” “effort,” “expect”, “forecast”, “goals”, “objectives”, “outlook”, “intend”, “plan”, “predict”, “project”, “seek”, “target”, “begin”, “could”, “may”, “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, future drop downs, volumes, capital requirements, conditions or events, future impact of prior acquisitions, future operating results or the ability to generate sales, the potential exposure of Shell Midstream Partners, L.P. (the “Partnership”) to market risks, and statements relating to expected EBITDA, future growth, income, cash flow and 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 presentation, February 27, 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. More information on these risks and other potential factors that could affect the Partnership’s financial results is included in the Partnership’s filings with the U.S. Securities and Exchange Commission, including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Partnership’s most recently filed periodic reports on Form 10-K and Form 10-Q and subsequent filings. 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.



Summary

- Q4 Results: Underlying performance strong, asset acquisition completed
 - Revenue up \$32 million
 - Adjusted EBITDA up \$27 million
 - CAFD up \$13 million
- Delivering 20% CAGR for 2017-2018
 - Distribution up 4.7% against third quarter
 - Coverage ratio 1.2x
- Portfolio Growth while retaining financial flexibility
 - Acquisition for \$825 million of high quality, strategic assets
 - Retaining full flexibility for future growth



Shell Midstream Partners: Same Strategy, Continued Delivery

RESILIENT FRAMEWORK

- Strong support from Shell
- Financial flexibility to maximize unitholder returns
- Maintaining strength despite market volatility

DIVERSIFIED PORTFOLIO

- High-quality assets complementing Shell's integrated footprint
- Building scale with drop downs, organic growth and 3rd party acquisitions

SUSTAINABLE GROWTH

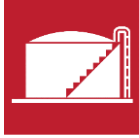
- Strong and ratable cash flows
- Reliable distribution growth
- Access to dynamic runway of Shell's strategic assets

The size and scale of our Sponsor is a key enabler to execute our strategy



Delivering Growth: \$825 Million Asset Acquisition

Extending Our Reach to Support the Shell Portfolio



Strategic Products Terminals

Anacortes, Colex, Des Plaines, Portland, Seattle

- Shell-backed, exclusive use, take-or-pay contract
- Initial term 10 years with an option to extend up to an additional 10 years



Increasing Ownership in GOM Corridors

22.9% Mars*, 22% Odyssey*

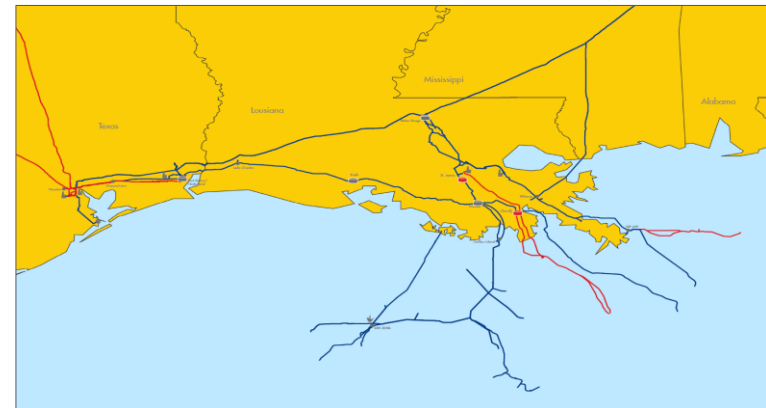
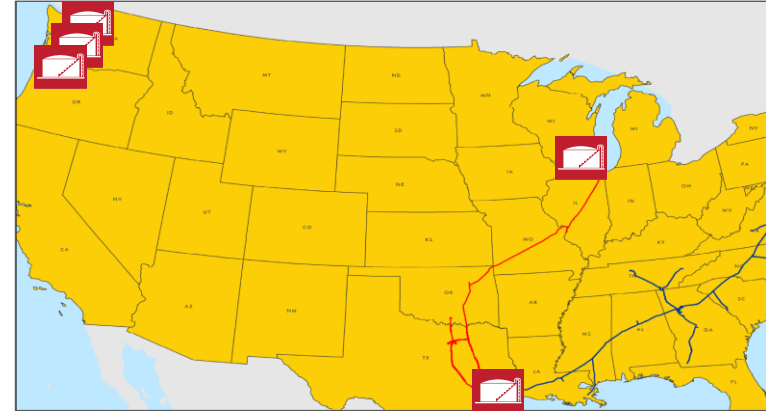
- Additional interests in high growth areas of GOM with several new fields tying back in near term



Building Onshore Footprint

10% Explorer Pipeline*, 41.48% LOCAP

- Explorer: Midwest products system serving 70 major cities, 100% market based rates
- LOCAP: Fully connected to surrounding St. James terminals



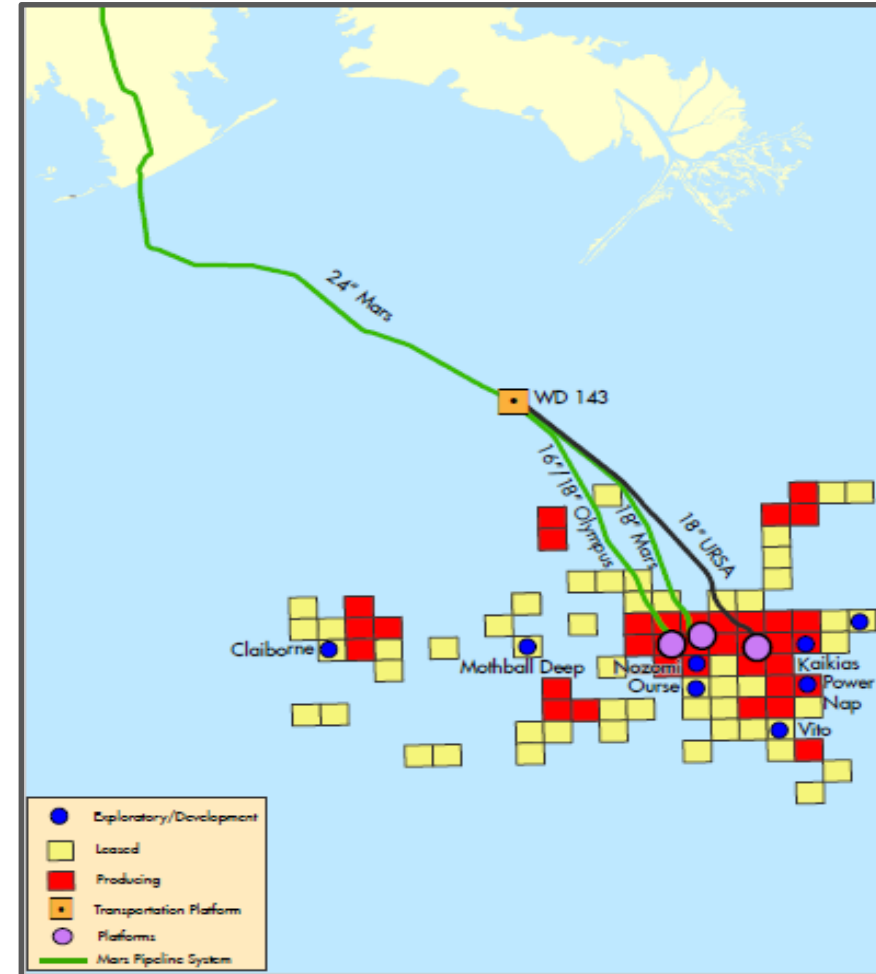
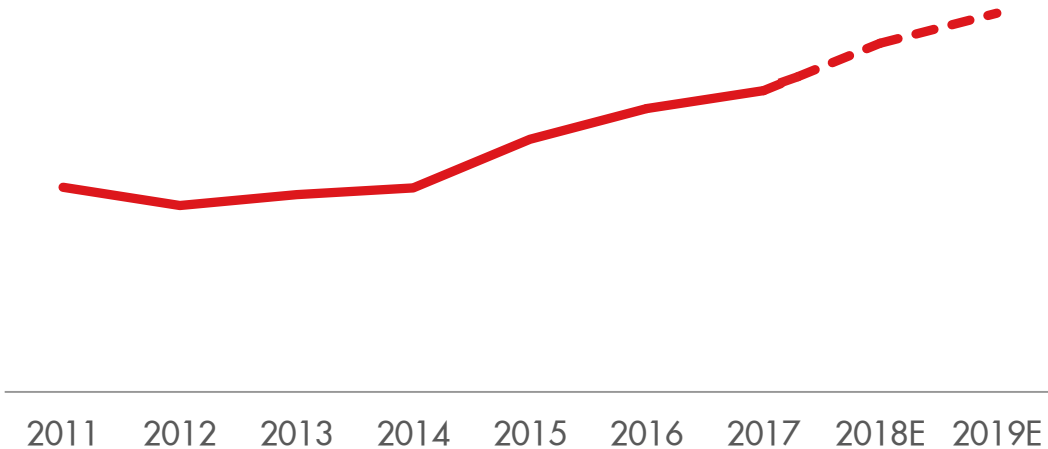
*Shell Midstream Partners now owns a 71.5% interest in Mars, a 71% interest in Odyssey, and a 12.62% ownership of Explorer Pipeline



Mars System: Well Positioned for Continued Growth

- Total capacity of 600kbpd, with about 80% currently utilized
- Approximately 60% of current volume has no outlet other than Mars Pipeline
- Continued growth opportunities – Kaikias, Vito, Power Nap, and other prospects in the Mississippi Canyon area

Forecasted Growth Rates from Mars
kbpd



Source: Producers' internal projections, public filings and presentations. Projected volumes may vary significantly from actual realized volumes

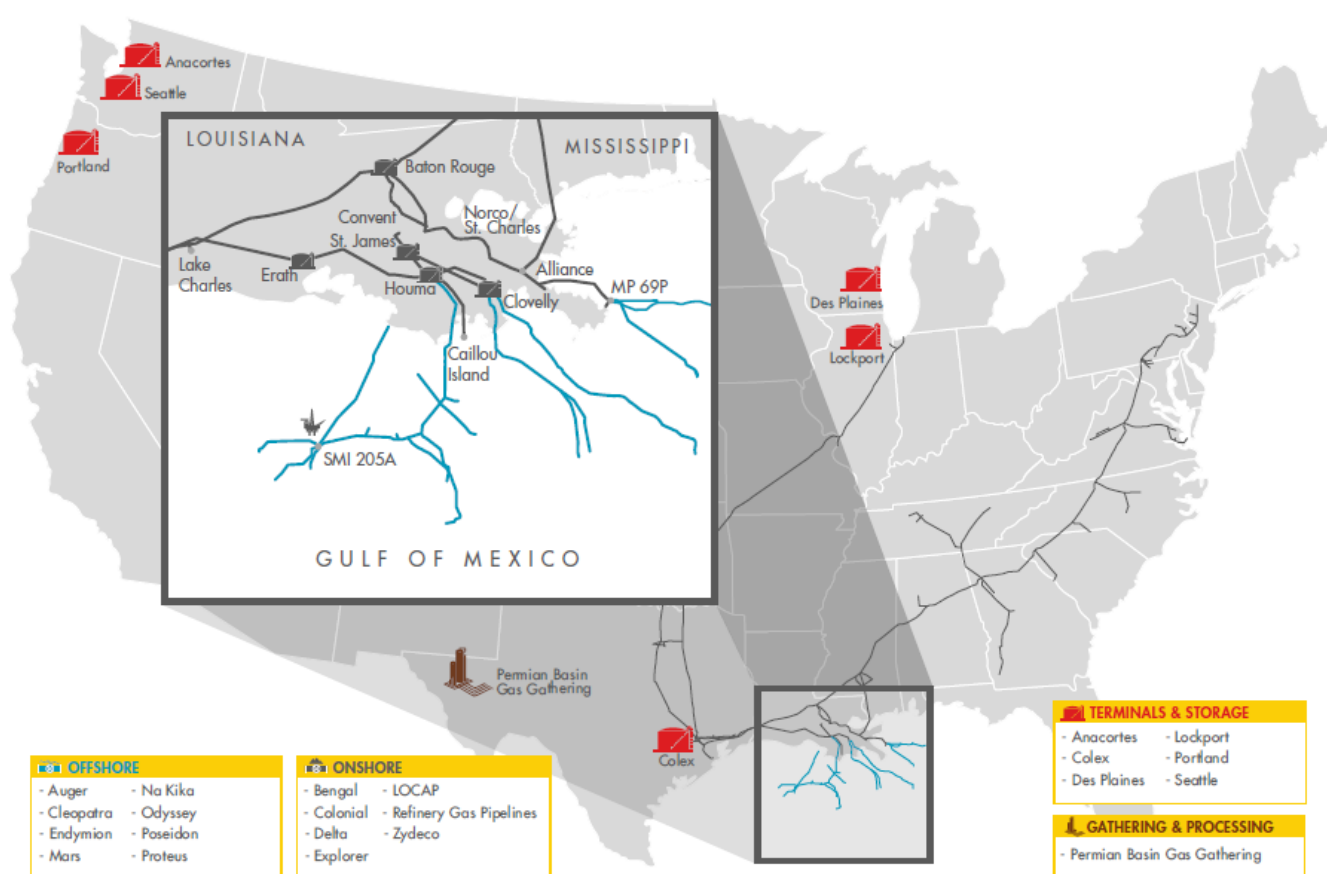


Building Scale with High Quality Midstream Assets: Expected End of Year



SHELL MIDSTREAM PARTNERS

Updated: January 2018



Portfolio of Assets

As of February 27, 2018

Offshore Pipelines	Ownership %
Auger	100.0%
Cleopatra	1.0%
Endymion	10.0%
Mars	71.5%
Na Kika	100.0%
Odyssey	71.0%
Poseidon	36.0%
Proteus	10.0%

Gathering & Processing	Ownership %
Permian Basin	50.0%

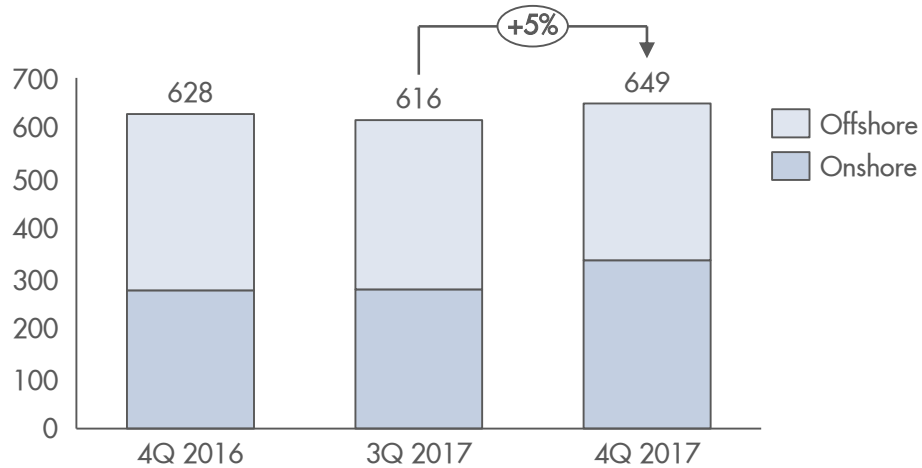
Onshore Pipelines	Ownership %
Bengal	50.0%
Colonial	6.0%
Delta	100.0%
Explorer	12.62%
LOCAP	41.48%
Refinery Gas	100.0%
Zydeco	92.5%

Terminals & Storage	Ownership %
Anacortes	100.0%
Colex	100.0%
Des Plaines	100.0%
Lockport	100.0%
Portland	100.0%
Seattle	100.0%

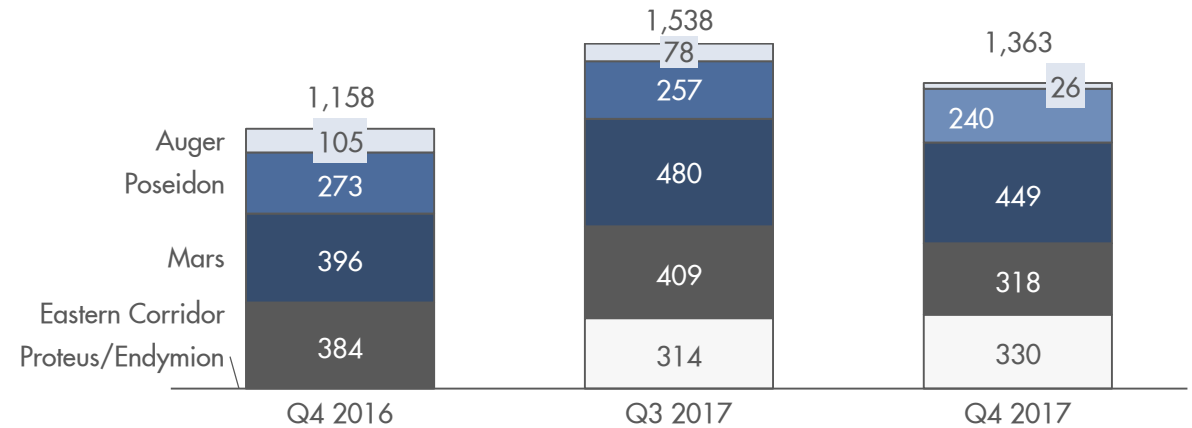


Operational Results

Zydeco Mainline Throughput Volume, kbpd



Offshore Throughput Volume, kbpd



Operational Highlights

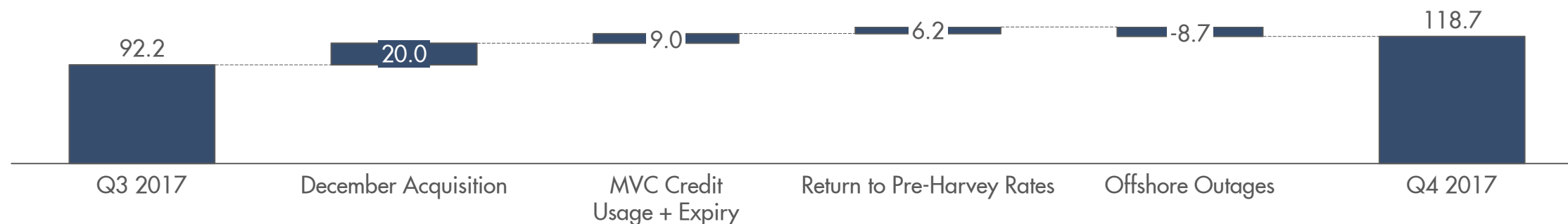
- Onshore: steady to growing performance
 - Zydeco highest throughput volume since reversal of system
- Offshore: volume lower due to outages at Enchilada and Delta House
- Terminals & Storage: steady performance backed by long-term contracts with Shell



Financial Results from Operations

(\$ million)	Three Months Ended	
	December 31, 2017	September 30, 2017
Revenue	126.8	94.4
Cost and Expenses	70.3	56.3
Operating Income	56.5	38.1
Income from Equity Investments	46.1	41.2
Dividend Income	10.2	4.8
Net Income	102.5	74.5
Net Income Attributable to SHLX	86.4	72.6
Adjusted EBITDA Attributable to SHLX ⁽¹⁾	118.7	92.2
Cash Available for Distribution ⁽¹⁾	97.0	83.9

Adjusted EBITDA Q3 versus Q4



(1) Non-GAAP measures. See reconciliation to GAAP measures in Appendix 2



Non GAAP Financial Metrics

(\$ million except per unit amount)	Three Months Ended	
	December 31, 2017	September 30, 2017
Adjusted EBITDA Attributable to SHLX ⁽¹⁾	118.7	92.2
Less:		
Net Interest Paid	10.3	9.7
Maintenance Capital Attributable to SHLX	6.6	6.1
Plus:		
Adjustments from Minimum Volume Commitments	(7.3)	4.4
Reimbursements from Parent included in Partners Capital	2.5	3.1
Cash Available for Distribution Attributable to SHLX ⁽¹⁾	97.0	83.9
Total Cash Distribution Declared	83.1	77.4
Cash Distribution per LP Unit	0.3330	0.3180
Coverage Ratio ⁽²⁾	1.2x	1.1x

(1) Non-GAAP measures. See reconciliation to GAAP measures in Appendix 2.

(2) Coverage Ratio is equal to Cash Available for Distribution Attributable to SHLX divided by Total Cash Distribution Declared.



Balance Sheet

(\$ million)	As of December 31, 2017
Cash and Cash Equivalents	138
Total Debt Outstanding	1,844
Total Credit Facilities (Inc. Zydeco)	2,390
Liquidity Available	543



Closing Remarks



Questions and Answers

For further questions, please contact
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Q&A





Appendix 1 – Non GAAP Financial Measures

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 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.*

We believe that the presentation of Adjusted EBITDA and cash available for distribution provides useful information to management and 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 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 presentation 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, accretion 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 and Adjusted EBITDA attributable to Parent. 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 and certain one-time payments not received in net income. Cash available for distribution will not reflect changes in working capital balances.



Appendix 2

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

(in millions of dollars)	For the Three Months Ended		
	December 31, 2017	September 30, 2017 ⁽¹⁾	September 30, 2017 ⁽²⁾
Net income	\$ 102.5	\$ 99.5	\$ 74.5
Add:			
Loss from disposition of fixed assets	0.1	—	—
Depreciation, amortization and accretion	11.7	10.7	8.9
Interest expense, net	10.2	9.7	9.7
Income tax expense	0.1	—	—
Cash distribution received from equity investments	52.1	48.4	42.5
Less:			
Income from equity investments	46.1	49.1	41.2
Adjusted EBITDA	130.6	119.2	94.4
Less:			
Adjusted EBITDA attributable to Parent	6.6	21.8	—
Adjusted EBITDA attributable to noncontrolling interests	5.3	5.2	2.2
Adjusted EBITDA attributable to the Partnership	118.7	92.2	92.2
Less:			
Net interest paid attributable to the Partnership	10.3	9.7	9.7
Maintenance capex attributable to the Partnership	6.6	6.1	6.1
Add:			
Net adjustments from volume deficiency payments attributable to the Partnership	(7.3)	4.4	4.4
Reimbursements from Parent included in partners' capital	2.5	3.1	3.1
Cash Available for Distribution Attributable to the Partnership	\$ 97.0	\$ 83.9	\$ 83.9

⁽¹⁾ Prior quarter financial information has been retrospectively adjusted for the acquisition completed in December 2017.

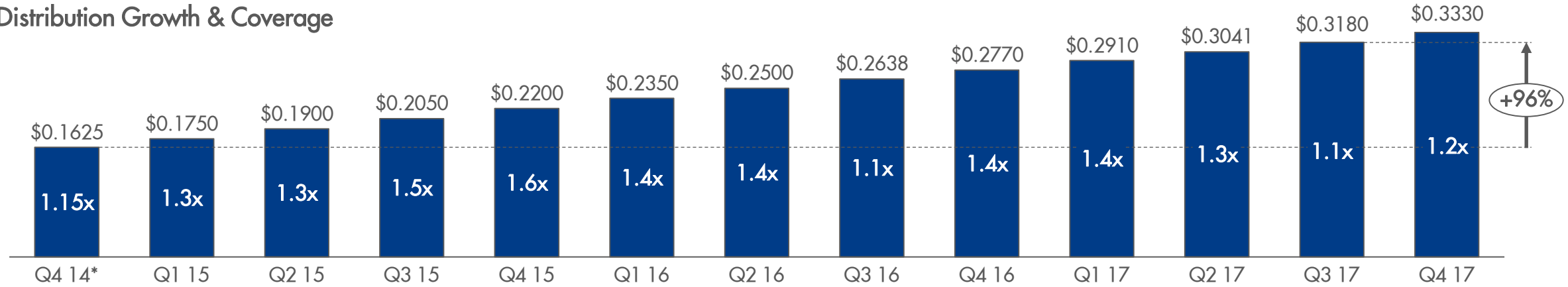
⁽²⁾ As previously reported in our Quarterly Report on Form 10-Q for the period ended September 30, 2017.



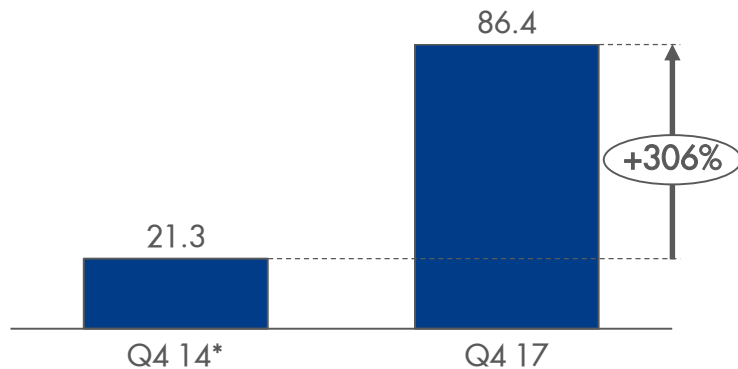
Delivering Growth

A track record of ratable growth for 3 years

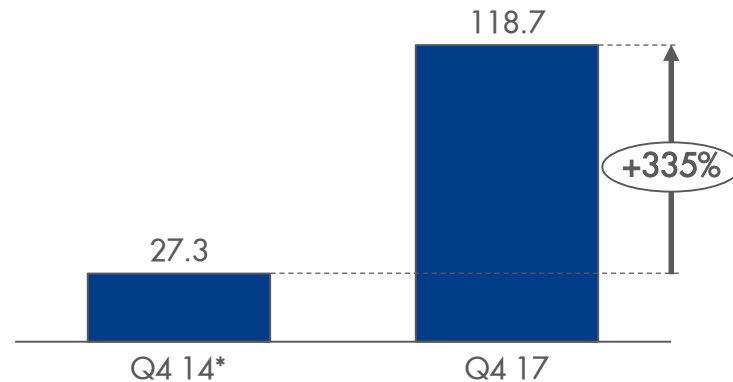
Distribution Growth & Coverage



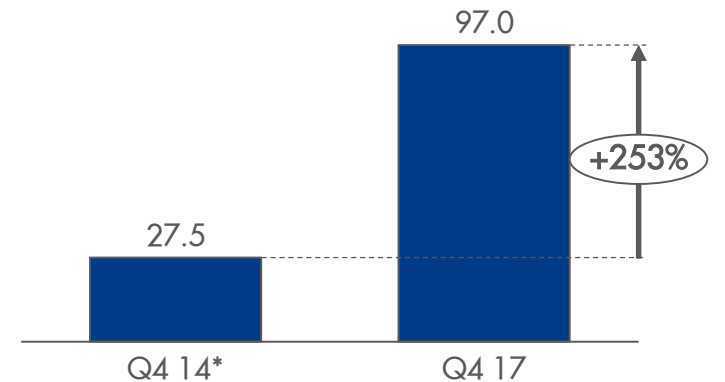
Net Income (\$mln)



Adjusted EBITDA (\$mln)



Cash Available for Distribution (\$mln)



*Q4 14 pro forma values

