



SHELL MIDSTREAM PARTNERS, L.P.

1st QUARTER 2018 UNAUDITED RESULTS



- The Partnership reported \$64.0 million of net income attributable to the partnership, \$109.0 million of net cash provided by operating activities, \$95.8 million of adjusted EBITDA attributable to the partnership, and \$80.1 million of cash available for distribution.
- First quarter distribution of \$0.3480 per LP unit, up 4.5% from previous quarter, which supports the partnership's intent to deliver 20% annual distribution growth through 2018.
- The Partnership successfully completed the Zydeco integrity test on schedule and within first quarter guidance.

HOUSTON, May 3, 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 \$64.0 million for the first quarter of 2018, which equated to \$0.18 per common limited partner unit. Shell Midstream Partners also generated adjusted earnings before interest, income taxes, depreciation and amortization attributable to the partnership of \$95.8 million.

Total cash available for distribution was \$80.1 million, approximately \$17.0 million lower than the prior quarter. The financial results of the quarter were largely impacted by the 49-day shut in of the Zydeco system, which was partially offset by a one-time dividend from Colonial following the tax reform rate change and an insurance recovery on Auger.

The Board of Directors of the general partner previously declared a cash distribution of \$0.3480 per limited partnership unit for the first quarter of 2018. This distribution represented an increase of 4.5% over the fourth quarter 2017 distribution and 20% increase over the first 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 \$64.0 million, compared to \$86.4 million for the prior quarter.
- Net cash provided by operating activities was \$109.0 million, compared to \$87.2 million for the prior quarter.
- Cash available for distribution was \$80.1 million, compared to \$97.0 million for the prior quarter, largely driven by the integrity project at Zydeco, partially offset by a one-time dividend from Colonial following tax reform rate change and an insurance recovery on Auger.
- Total cash distribution declared was \$105.7 million resulting in a 0.8x coverage ratio. Excluding the impacts of the Zydeco integrity test, the additional dividend payment and insurance recovery, the coverage ratio for the quarter would have been 1.1x.
- Adjusted EBITDA attributable to the partnership was \$95.8 million, compared to \$118.7 million for the prior quarter.
- In February 2018, the Partnership raised approximately \$980.0 million gross proceeds in common equity, including a \$300.0 million private sale of common units to Shell. The Partnership used the funds to pay down outstanding debt under its credit facilities and for general partnership purposes.
- As of March 31, 2018, the Partnership had \$184.7 million of consolidated cash and cash equivalents on hand.

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 Crude Systems and Related Storage

- Zydeco - Mainline volumes were 471 kbpd in the current quarter, compared to 649 kbpd in the prior quarter. Total volumes were down due to the 49-day shut in during the integrity project. The system returned to normal operations in March.
- Mars - Volumes were 466 kbpd compared to 449 kbpd in the prior quarter. The increase in volumes was largely due to new wells coming online on the Mars production platform.
- Poseidon - Volumes were 239 kbpd, slightly lower than the prior quarter. Total operating income and cash available for distribution were consistent with the prior quarter.
- Auger - Volumes were 31 kbpd, slightly higher than the prior quarter of 26 kbpd. The Auger platform resumed operations in mid-February. Total business interruption insurance recovery was \$4.5 million in Q1 2018 and we expect to receive approximately \$3.5 million later in 2018.
- Eastern Corridor - Volumes were 359 kbpd compared to 318 kbpd in the prior quarter. Increase in volume was primarily due to returning to normal operations after hurricane days in Q4 2017.

Significant Refined Products Systems and Related Storage

- Refinery Gas Pipelines - Volumes were as expected backed by a long-term transportation services agreements with minimum volume commitments.
- Colonial - Dividends were \$19.5 million, up \$14.8 million from the prior quarter, primarily due to one-time increased dividend following tax reform rate changes.
- Explorer - Dividends were \$5.4 million in line with seasonal demand.

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.

FORTHCOMING EVENTS

Shell Midstream Partners, L.P. will hold a webcast at 8:30am 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 by clicking on the "2018 First-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	
	March 31, 2018	December 31, 2017
Revenue ⁽¹⁾	\$ 99.6	\$ 126.8
Costs and expenses		
Operations and maintenance	56.5	39.8
Cost of product sold	6.5	—
Loss from disposition of fixed assets	—	0.1
General and administrative	14.8	14.9
Depreciation, amortization and accretion	11.4	11.7
Property and other taxes	5.5	3.8
Total costs and expenses	94.7	70.3
Operating income	4.9	56.5
Income from equity investments	40.2	46.1
Dividend income from investment	24.9	10.2
Other income	5.4	—
Investment, dividend and other income	70.5	56.3
Interest expense, net	10.6	10.2
Income before income taxes	64.8	102.6
Income tax expense	—	0.1
Net income	64.8	102.5
Net income attributable to Parent	—	11.2
Less: Net income attributable to noncontrolling interests	0.8	4.9
Net income attributable to the Partnership	\$ 64.0	\$ 86.4
Less: General partner's interest in net income attributable to the Partnership	27.0	20.6
Limited Partners' interest in net income attributable to the Partnership	\$ 37.0	\$ 65.8
Net income per Limited Partner Unit – Basic and Diluted:		
Common	\$ 0.18	\$ 0.35
Weighted average Limited Partner Units outstanding – Basic and Diluted (in millions):		
Common units – public	113.8	98.8
Common units – SPLC	95.6	89.0

⁽¹⁾ *Deferred revenue for the three months ended March 31, 2018 and December 31, 2017, including the impact of overshipments and expiring credits, was \$3.4 million and \$9.9 million, respectively.*

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

(in millions of dollars)	For the Three Months Ended	
	March 31, 2018	December 31, 2017
Net income	\$ 64.8	\$ 102.5
Add:		
Loss from disposition of fixed assets	—	0.1
Depreciation, amortization and accretion	11.4	11.7
Interest expense, net	10.6	10.2
Income tax expense	—	0.1
Cash distribution received from equity investments	51.1	52.1
Less:		
Equity method distributions included in other income	0.7	—
Income from equity investments	40.2	46.1
Adjusted EBITDA	97.0	130.6
Less:		
Adjusted EBITDA attributable to Parent	—	6.6
Adjusted EBITDA attributable to noncontrolling interests	1.2	5.3
Adjusted EBITDA attributable to the Partnership	95.8	118.7
Less:		
Net interest paid attributable to the Partnership ⁽¹⁾	10.6	10.3
Maintenance capex attributable to the Partnership	7.7	6.6
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(1.8)	(7.3)
Reimbursements from Parent included in partners' capital	4.4	2.5
Cash Available for Distribution Attributable to the Partnership	\$ 80.1	\$ 97.0

⁽¹⁾ *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	
	March 31, 2018	December 31, 2017
Net cash provided by operating activities	\$ 109.0	\$ 87.2
Add:		
Interest expense, net	10.6	10.2
Income tax expense	—	0.1
Return of investment	11.1	5.0
Less:		
Deferred revenue and other unearned income	(2.0)	(8.0)
Non-cash interest expense	0.2	0.1
Change in other assets and liabilities	35.5	(20.2)
Adjusted EBITDA	97.0	130.6
Less:		
Adjusted EBITDA attributable to Parent	—	6.6
Adjusted EBITDA attributable to noncontrolling interests	1.2	5.3
Adjusted EBITDA attributable to the Partnership	95.8	118.7
Less:		
Net interest paid attributable to the Partnership ⁽¹⁾	10.6	10.3
Maintenance capex attributable to the Partnership	7.7	6.6
Add:		
Net adjustments from volume deficiency payments attributable to the Partnership	(1.8)	(7.3)
Reimbursements from Parent included in partners' capital	4.4	2.5
Cash Available for Distribution Attributable to the Partnership	\$ 80.1	\$ 97.0

⁽¹⁾ 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, 2018	December 31, 2017
Quarterly distribution declared per unit	\$ 0.3480	\$ 0.3330
Adjusted EBITDA attributable to the Partnership ⁽¹⁾	\$ 95.8	\$ 118.7
Cash available for distribution attributable to the Partnership ⁽¹⁾	\$ 80.1	\$ 97.0
Distribution declared:		
Limited partner common units	\$ 77.9	\$ 62.5
General partner units	27.8	20.6
Total distribution declared	\$ 105.7	\$ 83.1
Coverage ratio ⁽²⁾	0.8	1.2

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

⁽³⁾ 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	
	March 31, 2018	December 31, 2017
Expansion capital expenditures	\$ 4.0	\$ 6.7
Maintenance capital expenditures	5.4	8.2
Total capital expenditures paid	\$ 9.4	\$ 14.9

Condensed Consolidated Balance Sheet Information

(in millions of dollars)

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 184.7	\$ 137.7
Property, plant & equipment	739.9	736.5
Total assets	1,387.7	1,366.5
Total related party debt	871.3	1,844.0
Total equity (deficit)	410.3	(565.9)

Pipeline and Terminal Volumes and Revenue per Barrel

	For the Three Months Ended	
	March 31, 2018	December 31, 2017
Pipeline throughput (thousands of barrels per day) ⁽¹⁾		
Zydeco – Mainlines	471	649
Zydeco – Other segments	257	258
Zydeco total system	728	907
Mars total system	466	449
Bengal total system	531	556
Poseidon total system	239	240
Auger total system	31	26
Delta total system	214	188
Na Kika total system	36	32
Odyssey total system	109	98
LOCAP total system	1,182	1,271
Other systems	366	330
Terminals ⁽²⁾⁽⁵⁾		
Lockport terminaling throughput and storage volumes	246	185
Revenue per barrel (\$ per barrel)		
Zydeco total system ⁽³⁾	\$ 0.51	\$ 0.78
Mars total system ⁽³⁾	1.24	1.40
Bengal total system ⁽³⁾	0.31	0.35
Auger total system ⁽³⁾	1.05	1.16
Delta total system ⁽³⁾	0.55	0.57
Na Kika total system ⁽³⁾	0.72	0.73
Odyssey total system ⁽³⁾	0.85	0.82
Lockport total system ⁽⁴⁾	0.18	0.25

⁽¹⁾ Pipeline throughput is defined as the volume of delivered barrels.

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

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ 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, May 3, 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 investments for the applicable period, less equity method distributions included in other income and income from equity 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. 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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