MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per unit amounts)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
Transportation and terminals revenue	$ 370,075	$ 392,671
Product sales revenue	146,562	245,620
Affiliate management fee revenue	3,179	3,783
Total revenue	519,816	642,074
Costs and expenses:		
Operating	122,913	131,592
Cost of product sales	113,585	172,876
Depreciation and amortization	43,754	47,298
General and administrative	40,676	40,281
Total costs and expenses	320,928	392,047
Earnings of non-controlled entities	17,628	21,446
Operating profit	216,516	271,473
Interest expense	43,724	51,212
Interest income	(361)	(292)
Interest capitalized	(6,136)	(4,197)
Gain on exchange of interest in non-controlled entity	(26,900)	—
Other (income) expense	(1,752)	1,170
Income before provision for income taxes	207,941	223,580
Provision for income taxes	871	844
Net income	$ 207,070	$ 222,736
Basic net income per limited partner unit	$ 0.91	$ 0.98
Diluted net income per limited partner unit	$ 0.91	$ 0.98
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,826	228,109
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,849	228,159

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended March 31,	
	2016	2017
Refined products:		
Transportation revenue per barrel shipped	$ 1.416	$ 1.461
Volume shipped (million barrels):		
Gasoline	61.1	66.2
Distillates	36.3	37.9
Aviation fuel	5.5	5.9
Liquefied petroleum gases	1.6	1.1
Total volume shipped	104.5	111.1
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped	$ 1.447	$ 1.543
Volume shipped (million barrels)	43.7	41.3
Crude oil terminal average utilization (million barrels per month)	14.4	16.5
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels) (1)	18.8	18.9
Saddlehorn - volume shipped (million barrels) (2)	—	4.0
Marine storage:		
Marine terminal average utilization (million barrels per month)	23.5	24.0

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 50% by Magellan.
(2) These volumes reflect the total shipments for the Saddlehorn pipeline, which is owned 40% by Magellan and began operations in September 2016.

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING MARGIN RECONCILIATION TO OPERATING PROFIT
(Unaudited, in thousands)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
Refined products:		
Transportation and terminals revenue	$ 224,750	$ 241,905
Affiliate management fee revenue	80	329
Earnings (losses) of non-controlled entities	(42)	111
Less: Operating expenses	85,774	93,533
Transportation and terminals margin	139,014	148,812
Product sales revenue[1]	143,916	240,170
Less: Cost of product sales[1]	111,856	167,681
Product margin	32,060	72,489
Operating margin	$ 171,074	$ 221,301
Crude oil:		
Transportation and terminals revenue	$ 101,728	$ 105,053
Affiliate management fee revenue	2,784	3,134
Earnings of non-controlled entities	16,979	20,650
Less: Operating expenses	21,126	27,418
Transportation and terminals margin	100,365	101,419
Product sales revenue[1]	1,743	3,103
Less: Cost of product sales[1]	1,345	2,577
Product margin	398	526
Operating margin	$ 100,763	$ 101,945
Marine storage:		
Transportation and terminals revenue	$ 43,597	$ 46,407
Affiliate management fee revenue	315	320
Earnings of non-controlled entities	691	685
Less: Operating expenses	17,205	12,655
Transportation and terminals margin	27,398	34,757
Product sales revenue[1]	903	2,347
Less: Cost of product sales[1]	384	2,618
Product margin	519	(271)
Operating margin	$ 27,917	$ 34,486
Segment operating margin	$ 299,754	$ 357,732
Add: Allocated corporate depreciation costs	1,192	1,320
Total operating margin	300,946	359,052
Less:		
Depreciation and amortization expense	43,754	47,298
General and administrative expense	40,676	40,281
Total operating profit	$ 216,516	$ 271,473

Note: Amounts may not sum to figures shown on the consolidated statement of income due to intersegment eliminations and allocated corporate depreciation costs.

[1] Includes gains and losses on related exchange-traded futures contracts.

MAGELLAN MIDSTREAM PARTNERS, L.P.
RECONCILIATION OF NET INCOME AND NET INCOME PER LIMITED PARTNER UNIT EXCLUDING MARK-TO-MARKET COMMODITY-RELATED ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

	Three Months Ended March 31, 2017		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 222,736	$ 0.98	$ 0.98
Unrealized derivative (gains) losses associated with future physical product sales	(6,705)	(0.03)	(0.03)
Lower-of-cost-or-market adjustments associated with future physical product transactions	2,940	0.01	0.01
Excluding commodity-related adjustments*	$ 218,971	$ 0.96	$ 0.96

Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,109
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,159

* Please see Distributable Cash Flow Reconciliation to Net Income for further descriptions of the commodity-related adjustments.

MAGELLAN MIDSTREAM PARTNERS, L.P.
DISTRIBUTABLE CASH FLOW RECONCILIATION TO NET INCOME
(Unaudited, in thousands)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017	2017 Guidance
Net income	$ 207,070	$ 222,736	$ 855,000
Interest expense, net	37,227	46,723	200,000
Depreciation and amortization	43,754	47,298	202,000
Equity-based incentive compensation (1)	(7,726)	(9,728)	3,000
Loss on sale and retirement of assets	2,259	3,461	10,000
Gain on exchange of interest in non-controlled entity(2)	(26,900)	—	—
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future product transactions (4)	(7,954)	(6,705)	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period (4)	21,701	(20,008)	
Lower-of-cost-or-market adjustments (5)	(1,715)	2,940	
Total commodity-related adjustments	12,032	(23,773)	(26,000)
Cash distributions received from non-controlled entities in excess of earnings	2,416	159	40,000
Other(3)	—	1,450	3,000
Adjusted EBITDA	270,132	288,326	1,287,000
Interest expense, net, excluding debt issuance cost amortization	(36,513)	(45,897)	(197,000)
Maintenance capital (6)	(28,282)	(14,829)	(90,000)
Distributable cash flow	$ 205,337	$ 227,600	$ 1,000,000

(1) Because the partnership intends to satisfy vesting of units under its equity-based incentive compensation plan with the issuance of limited partner units, expenses related to this plan generally are deemed non-cash and added back for DCF purposes. Total equity-based incentive compensation expense for the three months ended March 31, 2016 and 2017 was $6.7 million and $4.2 million, respectively. However, the figures above include adjustments of $14.4 million and $13.9 million in 2016 and 2017, respectively, for cash payments associated with its equity-based incentive compensation plan, which primarily include tax withholdings.

(2) In February 2016, the partnership transferred its 50% membership interest in Osage Pipe Line Company, LLC ("Osage") to an affiliate of HollyFrontier Corporation ("HFC"). In conjunction with this transaction, the partnership entered into several commercial agreements with affiliates of HFC, which were recorded as intangible assets and other receivables in its consolidated balance sheets. The partnership recorded a $26.9 million non-cash gain in relation to this transaction.

(3) In conjunction with the February 2016 Osage transaction, HFC agreed to make certain payments to the partnership until HFC completes a connection to the partnership's El Paso terminal. These payments replace distributions the partnership would have received had the Osage transaction not occurred and are, therefore, included in the partnership's calculation of DCF.

(4) Certain derivatives the partnership uses as economic hedges have not been designated as hedges for accounting purposes and the mark-to-market changes of these derivatives are recognized currently in earnings. In addition, the partnership has designated certain derivatives used to hedge its crude oil tank bottoms as fair value hedges, and the change in the differential between the current spot price and forward price on these hedges is recognized currently in earnings. The partnership excludes the net impact of both of these adjustments from its determination of DCF until the hedged products are physically sold. In the period in which these products are physically sold, the net impact of the associated hedges is included in the partnership's determination of DCF.

(5) The partnership adds the amount of lower-of-cost-or-market ("LCM") adjustments on inventory and firm purchase commitments recognized in each applicable period to determine DCF as these are non-cash charges against income. In subsequent periods when the partnership physically sells or purchases the related products, it deducts the LCM adjustments previously recognized to determine DCF.

(6) Maintenance capital expenditure projects maintain the partnership's existing assets and do not generate incremental DCF (i.e. incremental returns to the partnership's unitholders). For this reason, the partnership deducts maintenance capital expenditures to determine DCF.