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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
Transportation and terminals revenue	$ 392,240	$ 433,239	$ 762,315	$ 825,910
Product sales revenue	123,689	182,004	270,251	427,624
Affiliate management fee revenue	2,968	4,197	6,147	7,980
Total revenue	518,897	619,440	1,038,713	1,261,514
Costs and expenses:				
Operating	134,183	145,294	257,096	276,886
Cost of product sales	95,703	145,975	209,288	318,851
Depreciation and amortization	43,302	48,896	87,056	96,194
General and administrative	34,554	43,393	75,230	83,674
Total costs and expenses	307,742	383,558	628,670	775,605
Earnings of non-controlled entities	15,339	25,576	32,967	47,022
Operating profit	226,494	261,458	443,010	532,931
Interest expense	48,686	51,546	92,410	102,758
Interest income	(404)	(256)	(765)	(548)
Interest capitalized	(7,130)	(3,183)	(13,266)	(7,380)
Gain on exchange of interest in non-controlled entity	(1,244)	—	(28,144)	—
Other (income) expense	(1,958)	2,043	(3,710)	3,213
Income before provision for income taxes	188,544	211,308	396,485	434,888
Provision for income taxes	685	908	1,556	1,752
Net income	$ 187,859	$ 210,400	$ 394,929	$ 433,136
Basic net income per limited partner unit	$ 0.82	$ 0.92	$ 1.73	$ 1.90
Diluted net income per limited partner unit	$ 0.82	$ 0.92	$ 1.73	$ 1.90
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,952	228,192	227,889	228,151
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,983	228,245	227,921	228,202

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
Refined products:				
Transportation revenue per barrel shipped	$ 1.427	$ 1.481	$ 1.422	$ 1.472
Volume shipped (million barrels):				
Gasoline	71.1	76.7	132.2	142.9
Distillates	36.4	40.7	72.7	78.6
Aviation fuel	6.9	7.6	12.4	13.5
Liquefied petroleum gases	4.2	4.6	5.8	5.7
Total volume shipped	118.6	129.6	223.1	240.7
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	$ 1.360	$ 1.380	$ 1.403	$ 1.456
Volume shipped (million barrels)	45.1	47.3	88.8	88.6
Crude oil terminal average utilization (million barrels per month)	14.7	15.2	14.6	15.9
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels)(1)	19.3	21.8	38.1	40.7
Saddlehorn - volume shipped (million barrels)(2)	—	3.7	—	7.7
Marine storage:				
Marine terminal average utilization (million barrels per month)	23.0	23.9	23.2	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 June 30,		Six Months Ended June 30,	
	2016	2017	2016	2017
Refined products:				
Transportation and terminals revenue	$ 247,842	$ 277,883	$ 472,592	$ 519,788
Affiliate management fee revenue	124	353	204	682
Earnings (losses) of non-controlled entities	(38)	422	(80)	533
Less: Operating expenses	98,513	100,713	184,287	194,246
Transportation and terminals margin	149,415	177,945	288,429	326,757
Product sales revenue[1]	122,311	161,723	266,227	401,893
Less: Cost of product sales[1]	94,392	125,220	206,248	292,901
Product margin	27,919	36,503	59,979	108,992
Operating margin	$ 177,334	$ 214,448	$ 348,408	$ 435,749
Crude oil:				
Transportation and terminals revenue	$ 101,340	$ 108,455	$ 203,068	$ 213,508
Affiliate management fee revenue	2,486	3,474	5,270	6,608
Earnings of non-controlled entities	14,711	24,494	31,690	45,144
Less: Operating expenses	20,555	31,410	41,681	58,828
Transportation and terminals margin	97,982	105,013	198,347	206,432
Product sales revenue[1]	(28)	19,403	1,715	22,506
Less: Cost of product sales[1]	1,016	18,607	2,361	21,184
Product margin	(1,044)	796	(646)	1,322
Operating margin	$ 96,938	$ 105,809	$ 197,701	$ 207,754
Marine storage:				
Transportation and terminals revenue	$ 43,058	$ 47,794	$ 86,655	$ 94,201
Affiliate management fee revenue	358	370	673	690
Earnings of non-controlled entities	666	660	1,357	1,345
Less: Operating expenses	16,278	15,375	33,483	28,030
Transportation and terminals margin	27,804	33,449	55,202	68,206
Product sales revenue[1]	1,406	878	2,309	3,225
Less: Cost of product sales[1]	295	2,148	679	4,766
Product margin	1,111	(1,270)	1,630	(1,541)
Operating margin	$ 28,915	$ 32,179	$ 56,832	$ 66,665
Segment operating margin	$ 303,187	$ 352,436	$ 602,941	$ 710,168
Add: Allocated corporate depreciation costs	1,163	1,311	2,355	2,631
Total operating margin	304,350	353,747	605,296	712,799
Less:				
Depreciation and amortization expense	43,302	48,896	87,056	96,194
General and administrative expense	34,554	43,393	75,230	83,674
Total operating profit	$ 226,494	$ 261,458	$ 443,010	$ 532,931

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 June 30, 2017		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 210,400	$ 0.92	$ 0.92
Unrealized derivative (gains) losses associated with future physical product sales	(5,955)	(0.03)	(0.03)
Lower-of-cost-or-market adjustments associated with future physical product transactions	4,178	0.02	0.02
Excluding commodity-related adjustments*	$ 208,623	$ 0.91	$ 0.91

Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,192
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,245

* 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 June 30, 2016	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016	Six Months Ended June 30, 2017	2017 Guidance
Net income	$ 187,859	$ 210,400	$ 394,929	$ 433,136	$ 878,000
Interest expense, net	41,152	48,107	78,379	94,830	200,000
Depreciation and amortization	43,302	48,896	87,056	96,194	200,000
Equity-based incentive compensation(1)	3,409	6,570	(4,317)	(3,158)	3,000
Loss on sale and retirement of assets	1,004	1,870	3,263	5,331	10,000
Gain on exchange of interest in non-controlled entity(2)	(1,244)	—	(28,144)	—	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions(4)	(997)	(5,955)	(5,675)	(7,312)	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period(4)	17,820	(137)	36,245	(25,493)	
Lower-of-cost-or-market adjustments(5)	—	1,983	(1,715)	4,923	
Total commodity-related adjustments	16,823	(4,109)	28,855	(27,882)	(27,000)
Cash distributions received from non-controlled entities in excess of earnings	(1,825)	10,725	55	10,884	40,000
Other(3)	2,040	1,450	2,576	2,900	3,000
Adjusted EBITDA	292,520	323,909	562,652	612,235	1,307,000
Interest expense, net, excluding debt issuance cost amortization	(40,345)	(47,279)	(76,858)	(93,176)	(197,000)
Maintenance capital(6)	(31,164)	(26,266)	(59,446)	(41,095)	(90,000)
Distributable cash flow	$ 221,011	$ 250,364	$ 426,348	$ 477,964	$ 1,020,000

(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 six months ended June 30, 2016 and 2017 was $10.1 million and $10.7 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 $28.1 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.