2018 Analyst Day

New York City

April 10, 2018

NYSE: **MMP**

Welcome and Agenda

Paula Farrell
Director, investor relations

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Today's Agenda

• **Key Industry Topics**	Mike Mears, CEO
• **Refined Products, Marine Storage**	Jeff Selvidge, Sr. VP
➢ **15-minute break**	
• **Crude Oil**	Robb Barnes, Sr. VP
• **Finance Review**	Aaron Milford, CFO
• **Potential Growth, Closing Remarks**	Mike Mears, CEO
• **Lunch**	Magellan management

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Magellan Management Representatives

Mike Mears
Chairman, President and Chief Executive Officer

Jeff Selvidge
Sr. VP Commercial, Refined and Marine

Robb Barnes
Sr. VP Commercial, Crude Oil

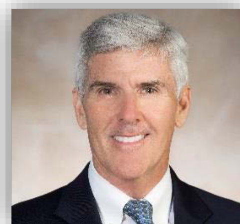
Aaron Milford
Chief Financial Officer

Michael Aaronson
Sr. VP, Business Development

Stan Rogers
VP Commercial, Refined Products

Mark Roles
VP Commercial, Crude Oil

Christina Payne
VP Commercial, Crude Oil



Bruce Heine
VP, Media and Government Affairs

Jeff Holman
VP, Finance and Treasurer

Paula Farrell
Director, Investor Relations

Forward-Looking Statements

Portions of this document constitute forward-looking statements as defined by federal law. Although management believes any such statements are based on reasonable assumptions, actual outcomes could be materially different. Among the key risk factors that may have a direct impact on the partnership's results of operations and financial condition are: (1) its ability to identify growth projects and to complete identified projects on time and at expected costs; (2) price fluctuations and changes in demand for refined petroleum products, crude oil and natural gas liquids, or changes in demand for transportation, storage, blending or processing of those commodities through its existing or planned facilities; (3) changes in the partnership's tariff rates or other terms imposed by state or federal regulatory agencies; (4) shut-downs or cutbacks at refineries or other businesses that use or supply the partnership's services; (5) changes in the throughput or interruption in service on pipelines or other facilities owned and operated by third parties and connected to the partnership's terminals, pipelines or other facilities; (6) the occurrence of operational hazards or unforeseen interruptions; (7) the treatment of the partnership as a corporation for federal or state income tax purposes or the partnership becoming subject to significant forms of other taxation; (8) an increase in the competition the partnership's operations encounter; (9) disruption in the debt and equity markets that negatively impacts the partnership's ability to finance its capital spending and (10) failure of customers to meet or continue contractual obligations to the partnership. Additional information about issues that could lead to material changes in performance is contained in the partnership's filings with the Securities and Exchange Commission, including the partnership's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2017 and subsequent reports on Form 8-K. You are urged to carefully review and consider the cautionary statements and other disclosures made in those filings, especially under the heading "Risk Factors." Forward-looking statements made by the partnership in this presentation are based only on information currently known, and the partnership undertakes no obligation to revise its forward-looking statements to reflect events or circumstances learned of or occurring after today's date.

Key Industry Topics

Mike Mears
Chairman, President and
Chief Executive Officer

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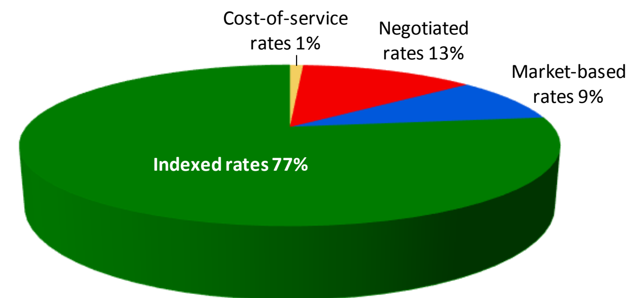
FERC Income Tax Allowance Policy Change

- On March 15, FERC changed its policy to no longer allow income taxes to be included in cost-of-service rates for interstate pipelines structured as partnerships
- Types of tariff rate structures:
  - Cost-of-service
  - Indexation
  - Market-based
  - Privately negotiated contracts



- Magellan does not expect a material impact from this change
  - No immediate impact as MMP does not have cost-of-service pipeline rates today
  - Depending on how FERC handles the index calculation, the removal of the tax allowance could be a non-event for index calculations. If no adjustment is made to the index measurement process, there is potential for some limited negative effect on index calculation
  - If index or other outcomes are such that rates are not keeping pace with costs appropriately, filing a rate case is an option

Competitive vs. Less Competitive Markets

- 60% of our refined products pipeline tariff revenue is generated from markets deemed workably competitive by the FERC or subject to state regulations
- The remaining 40% of our refined products tariff revenue is deemed less competitive and therefore subject to the indexation methodology approved by the FERC
- We have followed the mid-year FERC index since its inception for our less competitive markets and annually determine the appropriate rate change for our competitive markets
- Most of MMP’s crude oil pipeline tariffs are established by negotiated rates that generally provide for annual adjustments in line with FERC index, subject to certain modifications (incl. tariffs held flat if index is negative)

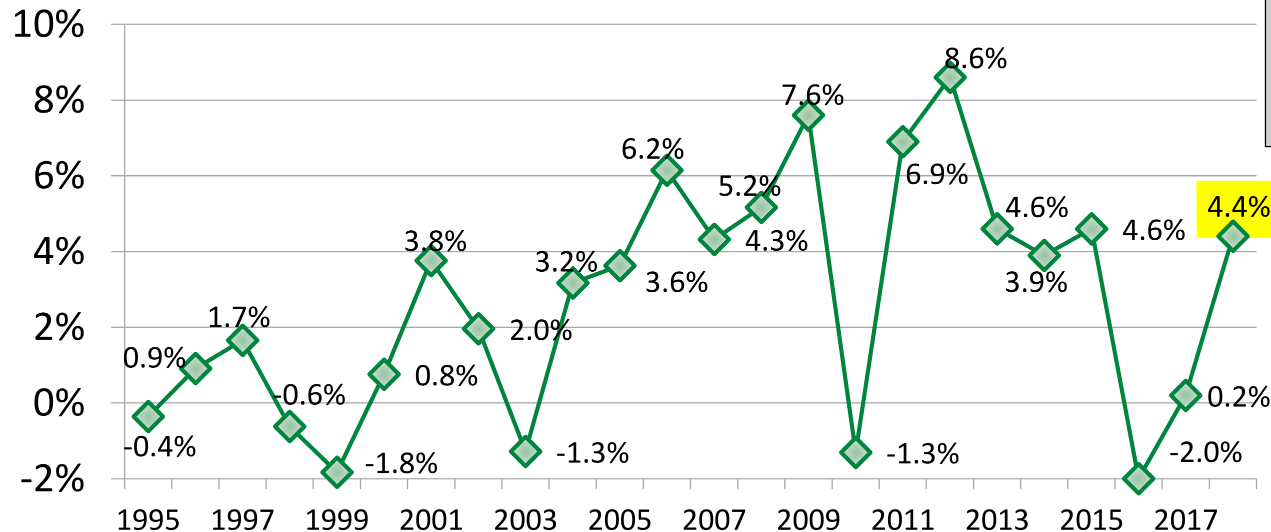
Refined Products Pipeline System

Competitive Status
Competitive
Less Competitive

Annual FERC Index History

- FERC indexation methodology instituted in 1995; reviewed every 5 years
  - Effective July 2016, FERC index formula = change in PPI + 1.23%
- Index is intended to allow pipelines to raise rates to recover actual cost increases while earning a reasonable return without a complicated cost-of-service filing
- Our 2018 guidance assumes we increase all of our refined products tariffs by the FERC index of 4.4%, including those with market-based rates
- FERC to assess how best to incorporate new income tax policy in index to be effective 2021

Index Formula:
- 1995 to 2000: PPI – 1.0%
- 2001 to 2005: PPI
- 2006 to 2010: PPI + 1.3%
- 2011 to 2015: PPI + 2.65%
- 2016 to 2020: PPI + 1.23%



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Hypothetical 2020 Index Calculation

- Assumes 50/50 Debt / Equity capitalization with a 10% cost of equity and 5% cost of debt
- **Assumes FERC does not adjust the base year for the tax policy change**
- Assumes an increase in rate base for accumulated deferred income taxes and removal of tax allowance

Total Cost of Service	Base	Yr. 5	CAGR	Base	Yr. 10	CAGR
Operating Expenses	$ 100	$ 119	3.5%	$ 119	$ 141	3.5%
Tax Allowance	20	-	-100%	-	-	0.0%
Return on Equity	60	66	1.9%	66	66	0.0%
Interest Cost	30	33	1.9%	33	33	0.0%
Total Cost of Service	**$ 210**	**$ 218**	**0.7%**	**$ 218**	**$ 240**	**2.0%**
Rate Base	**$ 1,200**	**$ 1,320**		**$ 1,320**	**$ 1,320**	

Hypothetical 2020 Index Calculation (cont'd)

- Assumes 50/50 Debt / Equity capitalization with a 10% cost of equity and 5% cost of debt
- **Assumes FERC adjusts the base year for the tax policy change**
- Assumes an increase in rate base for accumulated deferred income taxes and removal of tax allowance

Total Cost of Service		Base		Yr. 5	CAGR		Base		Yr. 10	CAGR
Operating Expenses	$	100	$	119	3.5%	$	119	$	141	3.5%
Tax Allowance		-		-	0.0%		-		-	0.0%
Return on Equity		66		66	0.0%		66		66	0.0%
Interest Cost		33		33	0.0%		33		33	0.0%
Total Cost of Service	**$**	**199**	**$**	**218**	**1.8%**	**$**	**218**	**$**	**240**	**2.0%**
Rate Base	**$**	**1,320**	**$**	**1,320**		**$**	**1,320**	**$**	**1,320**	

Index Calculation Considerations

- How will the FERC handle the change in policy during the next index evaluation in 2020 (to be effective 2021)?
  - In our view, FERC should return to actual cost data within the Form 6 that had been used historically to calculate the index; switched to page 700 cost-of-service data as part of their 2015 review
  - Otherwise, FERC should normalize the 5 years evaluated to establish the new index to apply a consistent tax methodology during the entire measurement period
- Regardless of how FERC treats the next measurement period, all subsequent periods will be consistent throughout the measurement period (assuming no further change in policy)
  - This should result in the index behaving like it has historically in all subsequent periods....so at most, we are logically just dealing with a 5-year transition period

Index Calculation Considerations (cont'd)

- If we assume simply for argument's sake that during the 5-year transition period the index methodology results in a 1.0% lower index than otherwise would have occurred and model these "lost 5 years" **in perpetuity at 8%**, and escalate operating expenses at 3.5%
  - Represents potential reduced value of approximately $1.75 per unit
- However, we believe it is at least equally likely that there is very little impact on the index calculation itself or rates over the long-run
  - FERC could decide to normalize the initial measurement period
  - Increasing costs through time for maintenance and regulatory compliance
  - Changes in required capital returns and rate base generally
  - Rate case potential is a mechanism to protect against illogical economic outcomes

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Page 700 Considerations

- Magellan has been consistently under-earning its ceiling rates as presented on our historical Page 700 contained in our annual FERC Form 6 filings

- After taking into account the new tax policy and an updated view of the industry's capital structure, we expect our 2017 Page 700 will show we are essentially earning at our cost of service
  - This could change in future years depending on returns required by investors as well as changes in costs and rate base

- We believe that any one particular year is irrelevant in analyzing whether a pipeline may be either over- or under-earning and must be evaluated over a period of time
  - In order to confidently pursue a rate case, we believe a clear trend is necessary

- As a result, we do not expect an immediate impact to our rates and believe there are logical bounds on any potential negative impact on our indexed rates upon the next index review in 2020

- We believe that through time, we should be able to continue to earn an acceptable rate of return on our assets and that regulatory mechanisms exist to provide long-term stability

Magellan's Preliminary 2017 Page 700 Data

- Beginning with the 2017 FERC Form 6, income tax allowance has been removed for all years of the analysis
- Looking at Magellan's preliminary 2017 report, we appear to be essentially earning at our cost of service in 2017, while 2016 results appear to still be under-earning by $35mm, even without the income tax allowance

Line No.	Description	2017	2016
	Interstate Cost of Service		
1	Operating and Maintenance Expenses	$305,827,730	$289,598,892
2	Depreciation Expense	$55,874,899	$49,979,363
3	AFUDC Depreciation	$3,148,502	$2,776,381
4	Amortization of Deferred Earnings	$15,582,104	$14,987,897
5	Rate Base		
5a	Rate Base - Original Cost	$1,485,243,379	$1,446,687,683
5b	Rate Base - Unamortized Starting Rate Base Write-Up	$0	$0
5c	Rate Base - Accumulated Net Deferred Earnings	$369,511,816	$359,373,966
5d	Total Rate Base - Trended Original Cost (ln 5a + 5b + 5c)	$1,854,755,195	$1,806,061,649
6	Rate of Return % (10.25% - 10.25)		
6a	Rate of Return - Adjusted Capital Structure Ratio for Long Term Debt	42.67%	41.17%
6b	Rate of Return - Adjusted Capital Strucute Ratio for Stockholders' Equity	57.33%	58.83%
6c	Rate of Return - Cost of Long Term Debt Capital	4.71%	4.98%
6d	Rate of Return - Real Cost of Stockholders' Equity	8.92%	13.30%
6e	Rate of Return - Weighted Average Cost of Capital (lns 6a x 6c + 6b x 6d)	7.12%	9.87%
7	Return on Rate Base		
	Return on Rate Base - Debt Component - (ln 5d x 6a x 6c)	$37,276,072	$37,031,154
	Return on Rate Base - Equity Component - (ln 5d x 6b x 6d)	$94,849,139	$141,307,736
	Total Return on Rate Base - (lns 7a + 7b)	$132,125,211	$178,338,890
8	Income Tax Allowance	$0	$0
8a	Composite Tax Rate % (37.50% - 37.50)	0.00%	0.00%
9	Interstate Cost of Service	$512,558,446	$535,681,422
10	Interstate Operating Revenues	$515,713,327	$500,625,989
11	Interstate Throughput in Barrels	323,008,604	312,695,022
12	Interstate Throughput in Barrel-Miles	83,805,715,287	84,838,701,794

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Going Forward

- The new FERC tax policy ignores the fact that MLP investors will pay taxes on the income allocated to them, and it is our position that investors take this into account when they value MLP units
- We plan to continue to engage the FERC on this issue and will also be engaging with the FERC regarding their approach to the next index review to occur in 2020
- While we do not know how the FERC will implement this current tax policy change in the next index review, we believe there are some logical boundaries around the issue that limit its practical impact
- We do not expect this policy change to materially impact our ability to execute on future growth projects and provide an attractive return to our investors over the long-run

➢ Bottom line: Magellan does not expect a material impact from the recent FERC income tax policy change

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Corporate Structure

- At this time, we believe the best corporate structure for us to continue delivering value to our investors is as an MLP
  - Hard to overcome value of tax deferral attributes of MLP structure
  - Recent tax reform reduced the advantage, but did not eliminate the advantage of MLP structure
  - Size of MLP equity market currently suits us as we are not expecting to be in need of equity capital to fund our current slate of growth
- However, we continually evaluate both the fundamental and technical merits and disadvantages of each structure
  - Bonus depreciation
  - Depth and breadth of potential investor base if C-corp / Non-K1
  - MMP has already adopted more C-corp like governance structure, so this is likely less of an impediment for us specifically
  - 2025 sunset of 20% pass-through income deduction
  - Changing equity needs to fund growth – as of now, Magellan does not expect to be raising equity
- We do not believe the current dis-allowance of taxes in MLP ratemaking is enough of a potential negative to push us to a C-corp structure at this time
  - Current policy may not be permanent as we firmly believe the taxes paid by our investors should be properly accounted for when establishing regulatory allowable rates

Questions

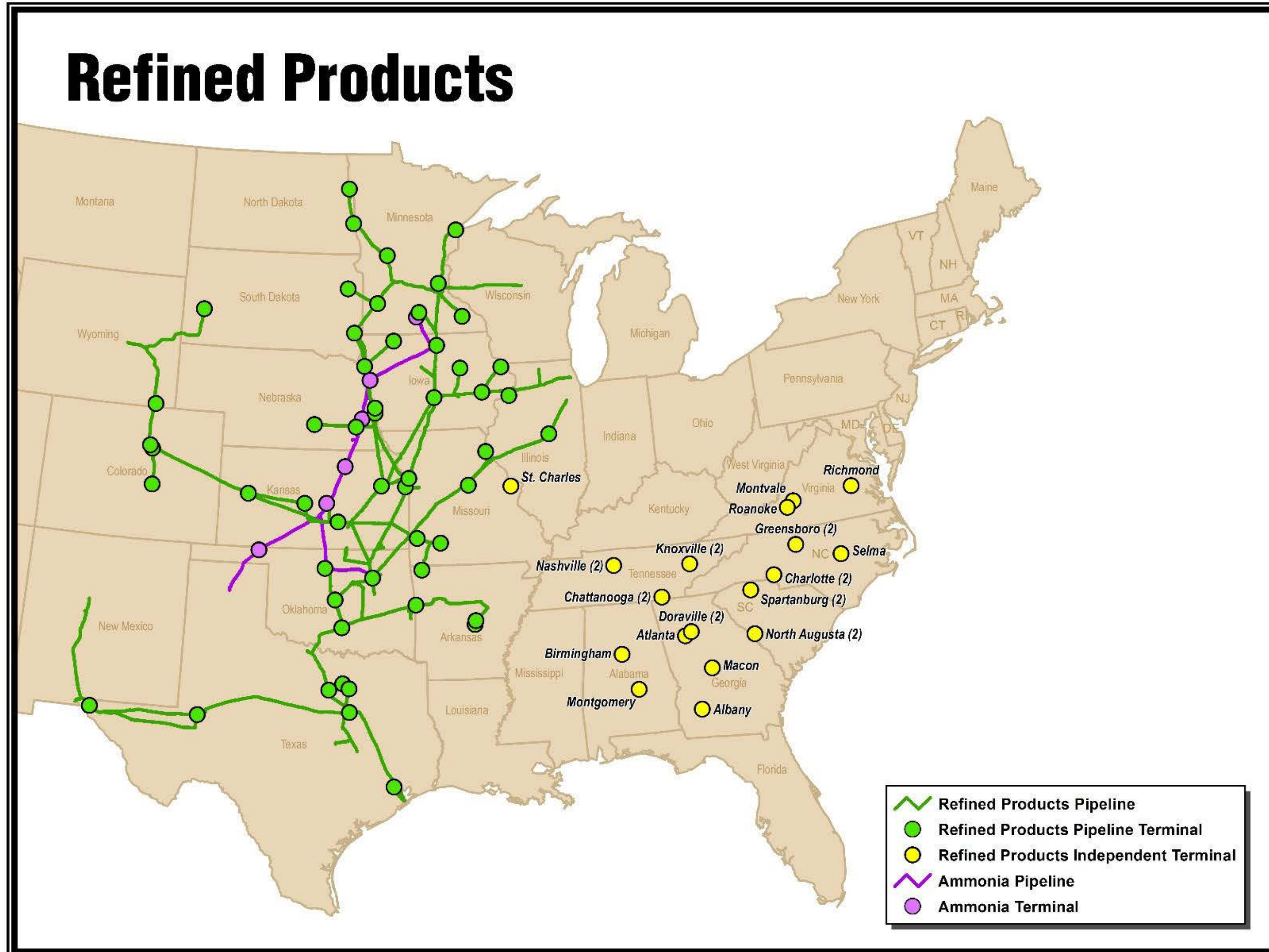
Keys to Magellan's Proven and Future Track Record

- Stability of underlying businesses
- Continuing to grow fee-based activities, managing for the long term through various business cycles
- Disciplined and opportunistic investments, focused on risk-adjusted value creation
- Consistent and disciplined financial policy

Refined Products

Jeff Selvidge
Sr. Vice President, Commercial
Refined Products and Marine Storage

Refined Products Segment Map



Refined Products Profitability

- Almost 60% of Magellan's 2017 operating margin was generated from the refined products segment
- Profits driven by pipeline volume, tariff and fee-based ancillary fees as well as commodity-related activities
- Product margin primarily attributable to butane blending which trends with the price difference between gasoline and butane

$ & volumes in millions	2015	2016	2017	2018 Guidance
Volume shipped (bbls)	452	462	498	533
Transportation revenue per barrel shipped	$ 1.44	$ 1.47	$ 1.50	$ 1.48
Transportation and terminals operating margin	$ 599	$ 622	$ 695	$ 735
Product margin, net of MTM pricing adjust'ts *	194	170	142	116
Total Refined Products Operating Margin	**$ 793**	**$ 792**	**$ 837**	**$ 851**

* Product margin and operating margin exclude unrealized mark-to-market and other commodity-related adjustments

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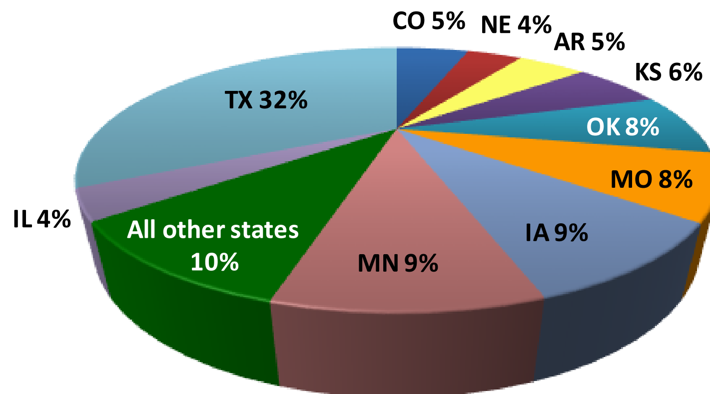
Refined Products Pipeline System

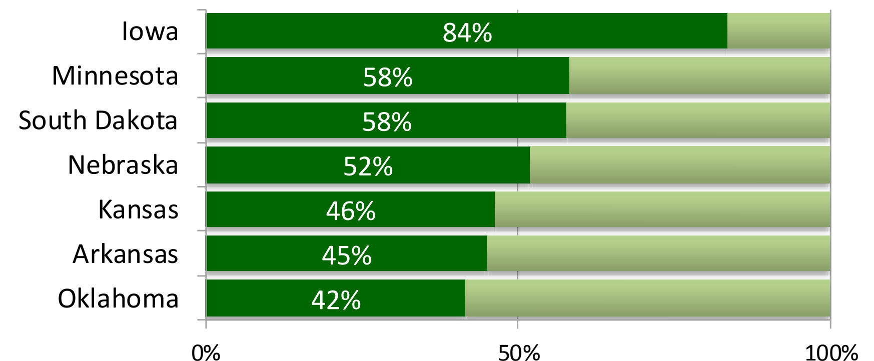
- Longest refined petroleum products pipeline system in the U.S. at 9,700 miles with 53 terminals and 44mm barrels of storage
- Demand-driven system with multiple supply options
  - Access to nearly 50% of refinery capacity in the U.S., including Midcontinent and Gulf Coast refineries
- Magellan's competitive position:
  - Breadth of system
  - Independent service provider model

Refined Products Pipeline: Deliveries by State

- Our refined products pipeline system continues to be a critical piece of the Central U.S. petroleum infrastructure to meet demand for refined products in the markets we serve

- During 2017, we transported 40%+ of the gasoline / distillate consumed in 7 of the 15 states we serve, emphasizing the importance of our assets





Source: EIA and Magellan deliveries

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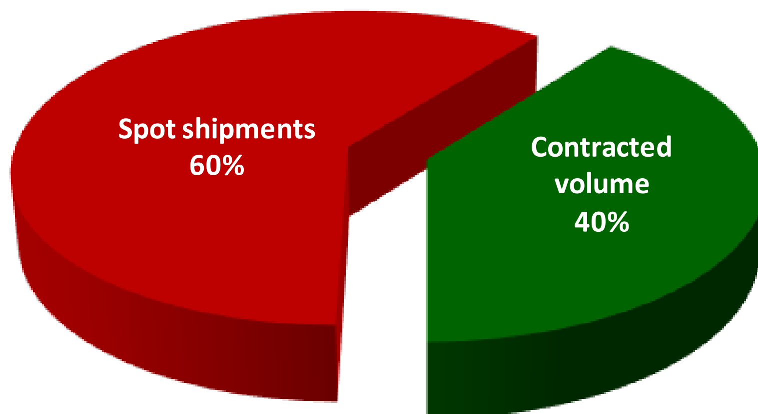
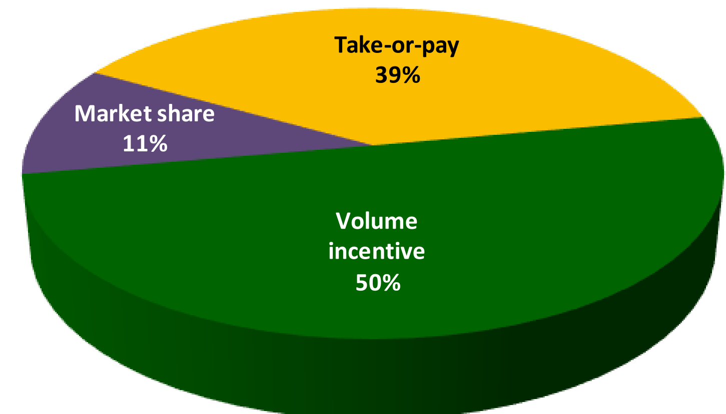
Refined Products Pipeline Commitments

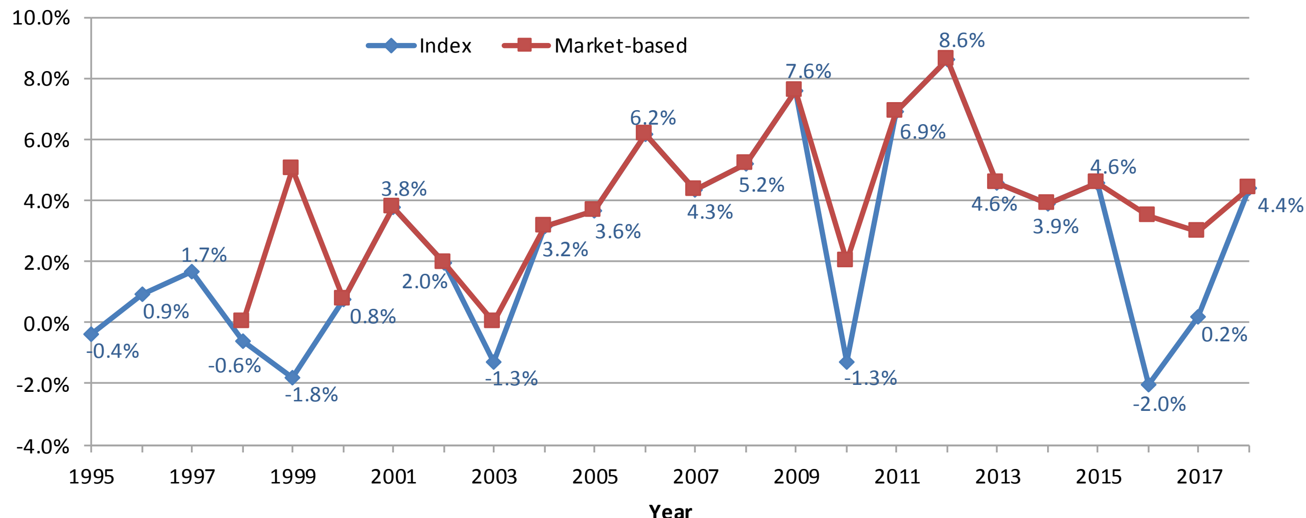
- Due to the demand-driven nature of our system and general stability of the refined products industry, shipments generally trend inline with demand in the markets served by our pipeline system
- 40% of ‘17 shipments were subject to supplemental agreements with an average remaining contract life of approx. 3 years





Refined Products Pipeline Rates

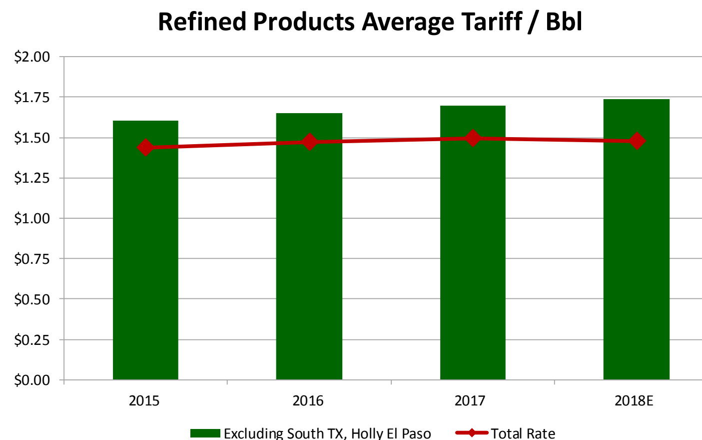
- Our average refined products rate / bbl impacted by combination of the FERC index, market environment and distribution pattern of shipments
  - As a reminder, 60% of refined products pipeline tariffs deemed workably competitive by the FERC or subject to state regulations, 40% deemed less competitive and subject to FERC index
  - Market-based designation provides flexibility each year, especially when the FERC index is negative or flat



Since inception, the cumulative FERC index increase has been approx. 65% while market-based rates have increased closer to 85%

Refined Products Pipeline Rates (cont'd)

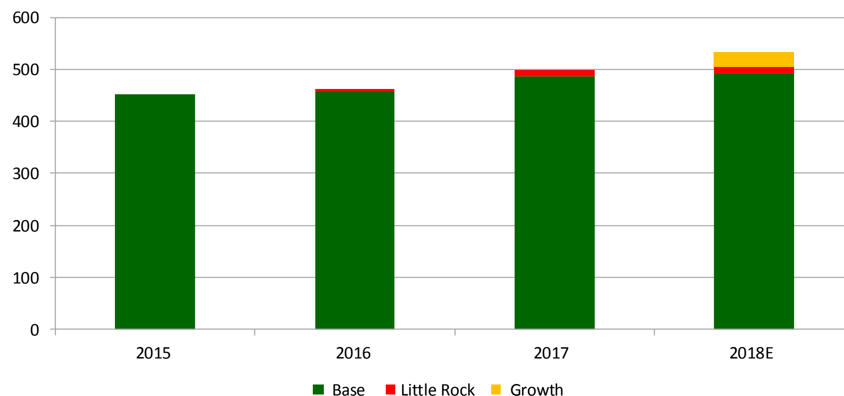
- Plan to increase all rates by 4.4% index on July 1, 2018
- Average tariff expected to remain relatively flat in 2018 due to increase in shorter-haul movements in South Texas and related to new agreements with Holly Frontier at El Paso
  - Regional refinery supply disruptions can also impact the average rate / bbl

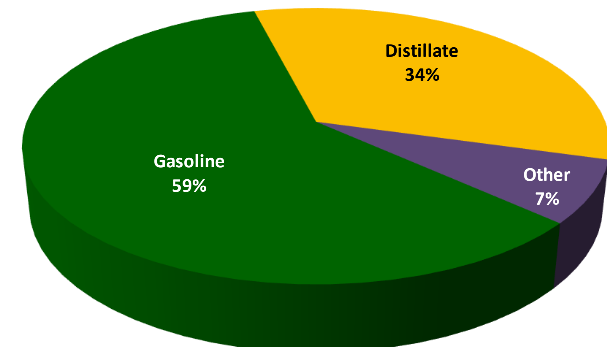


Refined Products Pipeline Volumes

- Base volumes generally trend with overall demand for refined products in the markets served by our assets:
  - 2017 volumes 8% higher than ’16. Excluding first full-year benefit of Little Rock pipeline during ‘17, base business volumes still 6% higher
  - Increase driven by strong gasoline demand and rebound in distillate shipments due to improved drilling activities

- 2018 guidance assumes base refined products shipments flat. Including growth volumes related to our new Holly Frontier El Paso connection as well as incremental volume on our South Texas line, we expect all-in refined products volume growth of 7% in ‘18





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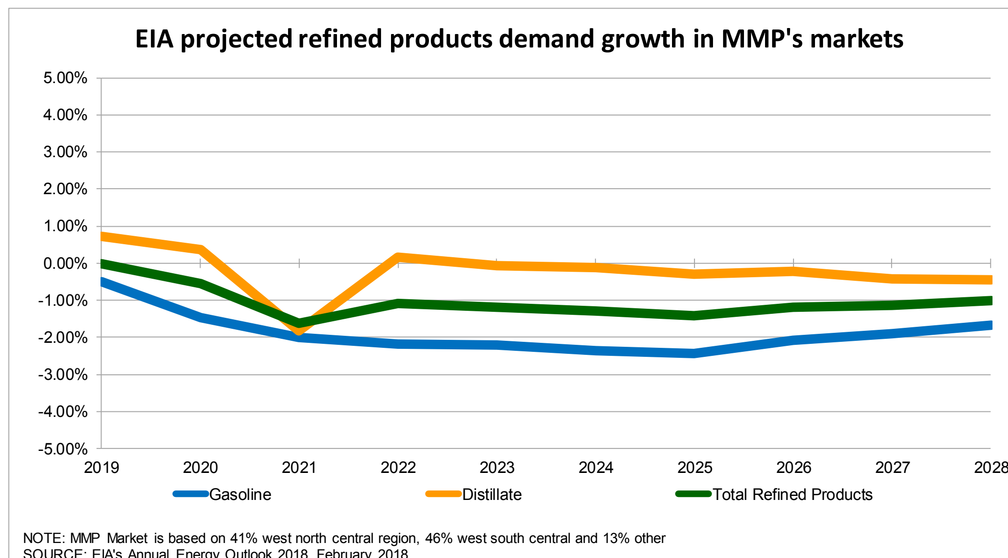
Refined Products Demand Expectations

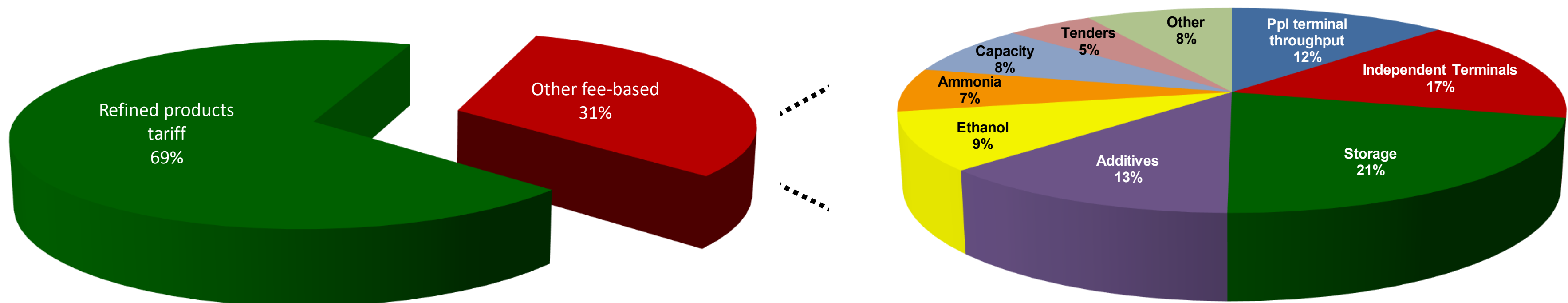
- Longer term, we generally look to the EIA's refined products demand projections for the markets we serve, which are expected to remain relatively stable
  - Gasoline: slight decline - fuel efficiency vs. vehicle miles driven
    - EIA projections do not include expected changes to fuel efficiency standards
    - Electric vehicles not expected to have material impact in the markets served by Magellan for foreseeable future
  - Diesel fuel: generally flat
- EIA has forecasted a similar curve for quite some time yet MMP's refined products pipeline shipments have continued to grow



NOTE: MMP Market is based on 41% west north central region, 46% west south central and 13% other
SOURCE: EIA's Annual Energy Outlook 2018, February 2018

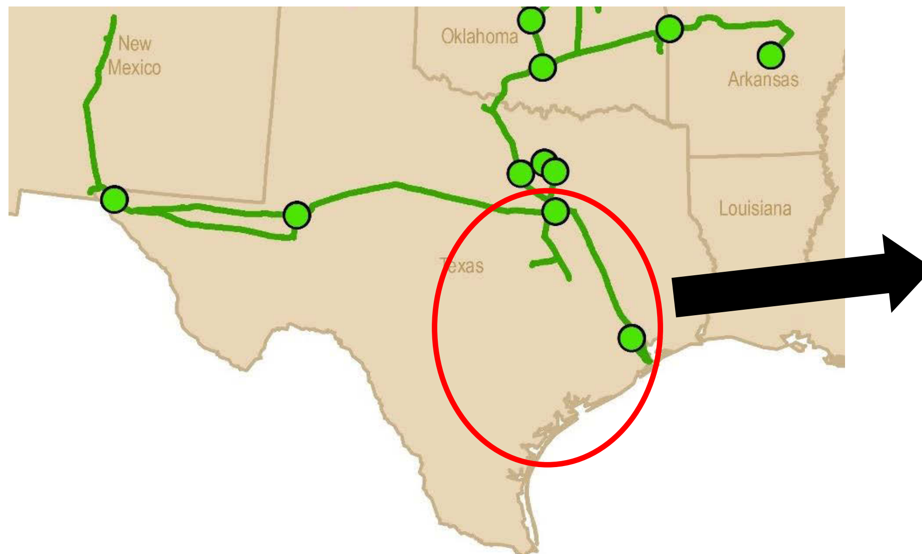
Sources of Fee-Based Refined Products Revenue

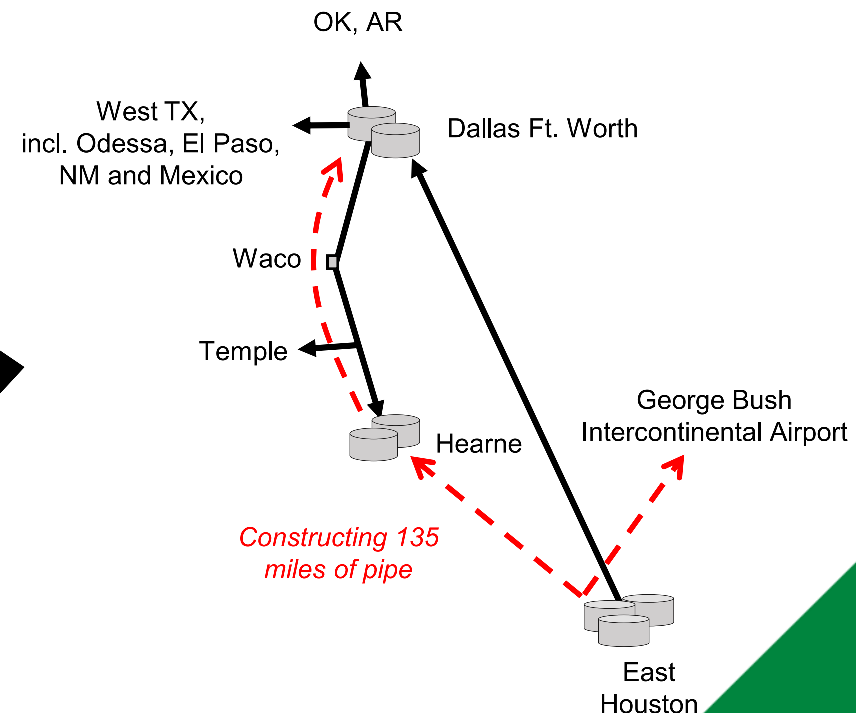
- Refined products pipeline tariff revenue was ~$750mm during 2017 and accounted for nearly 70% of transportation and terminals revenue for the refined products segment
- Remaining 30% is derived from fee-based ancillary services primarily occurring along our pipeline system with pricing driven by the market
  - Throughput fees earned at 22 of our pipeline terminals, with the remaining 32 pipeline terminals included as part of the tariff
  - Our 26 independent terminals are located in the Southeast and earn revenue from throughput and ethanol / additive blending
  - Demand for contract storage along our pipeline system remains strong and provides customers flexibility
  - Ethanol expected to remain at 10% ble



Future Growth: East Houston-to-Hearne Pipeline

- Constructing 135-mile, 20-inch refined petroleum products pipeline from East Houston to Hearne, Texas
- Enhancements to existing pipeline system, including 1mm bbls of refined products storage and additional connections to Houston Gulf Coast refineries, pipelines and terminals
- Provides incremental 85k bpd of capacity, or nearly 50% increase to service Magellan's Texas, Midcontinent and Little Rock markets





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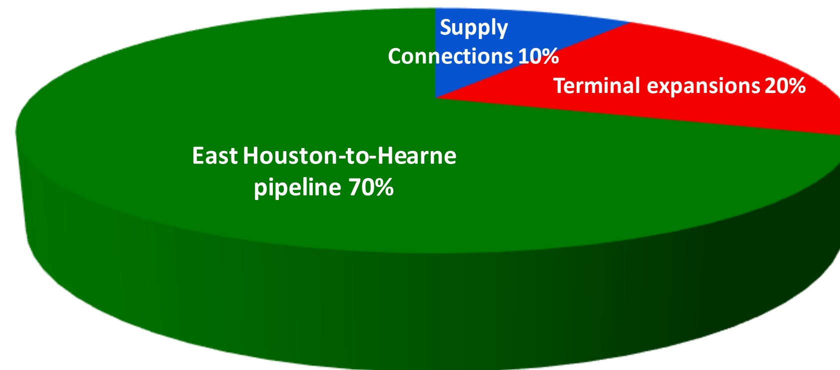
Expected Financial Results of East Houston-to-Hearne

- $425mm capital spending supported by long-term customer commitments
  - Expected to generate an 8x EBITDA multiple, with upside potential
  - ~20% of total project cost committed at this point
  - Steel pricing already locked in for pipes

Project cost by category



- Considering further expansion of East Houston-to-Hearne pipeline for improved connectivity to source more volume, which could improve overall investment multiple

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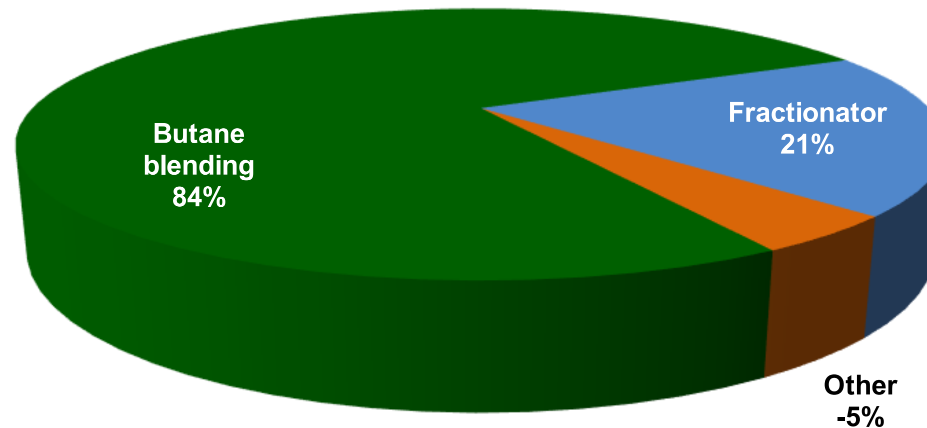
Key Milestones for East Houston-to-Hearne

• Current status	Pipeline field survey substantially complete, 25% of right-of-way acquired, pipe steel ordered
• Summer 2018	Pipeline and tank construction to begin
• Mid 2019	Expected in-service

Commodity-Related Activities

- Magellan is primarily a fee-based business, with 15% or less of our total future operating margin expected to come from commodity-related activities
- Vast majority of commodity margin related to butane blending

2017 Product Margin (net of NYMEX adjust'ts): $135mm*



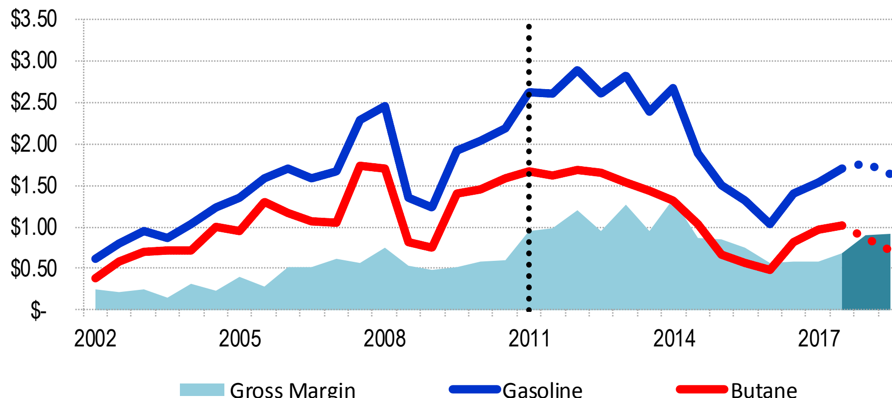
*MMP's total product margin of $135mm calculated as $758mm product sales - $636mm cost of product sales + $13mm commodity-related adjustments for DCF purposes; includes non-recurring -$4mm from crude oil segment and -$1mm from marine storage segment

Butane Blending Overview

- Butane is a common gasoline blending component
- Butane prices have historically been lower than gasoline prices
- Blending activities are focused on 2 areas:
  - The fungible gasoline pool delivered into our pipeline system typically has a quality margin that creates an opportunity for butane blending
  - Regulated gasoline specifications require gasoline to transition from low vapor pressure in the summer to high vapor pressure during the winter, then back in the spring; butane blending sales heavily weighted toward 1Q and 4Q, accordingly
- While Magellan captures as much of these blending opportunities as possible, blending volumes tend to equal ~2% of the gasoline we transport

Butane Blending Margins

- Butane blending margins significantly improved beginning mid-2011 due to increased gasoline prices and reduced cost of butane resulting from growing domestic supply
- With downturn in gasoline prices and strength in butane pricing related to export options, margin has been compressed the last few years but still economically viable to blend
- Projected margins are based on the NYMEX forward curves for RBOB gasoline and Belvieu butane
  - Mid-Con gasoline typically trades at a discount to NYMEX RBOB (basis differential)
- In addition, we incur logistical costs associated with storing and transporting butane and buying RINs



Example of Spot Margin Calculation (per gallon)

Gasoline price (avg NYMEX RBOB for Jan '18)	$	1.80
Butane price (avg NYMEX Belvieu for Jan '18)		1.05
Imputed gross spot margin	$	0.75
Basis differential: RBOB to Mid-Con gasoline ('17 avg)		(0.05)
Estimated logistics costs		(0.30)
Imputed net spot margin	$	0.39

Note: calculation for example purposes only and does not represent actual margins expected.

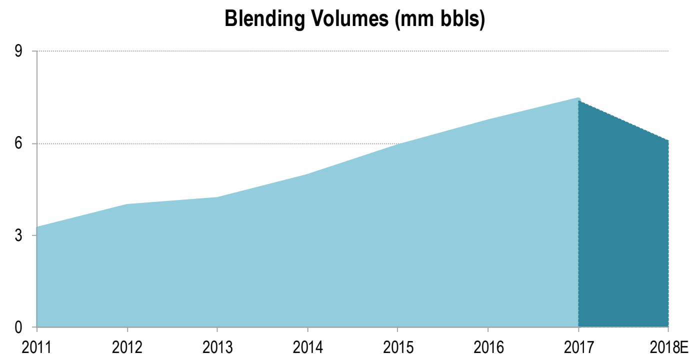
Butane Blending Risk Mitigation

- Our realized margin will not precisely track spot margins throughout the year as it is affected by:
  - Timing of butane purchasing activities and related futures contracts
  - Pool costing of butane inventory
  - Basis differentials

- Magellan does not speculate on the price of commodities and mitigates risk as much as possible related to our butane blending activities
  - Purchase much of our butane in the spring and summer when pricing is lower to cover up to 90% of expected blending volumes
  - When butane is purchased, hedge gasoline sales with futures contracts; Entering '18, we had 50% of our blending margins hedged, using the forward curve to estimate margins for the remainder of the year for guidance (mainly fall blending)
  - Purchase necessary RINs at the time butane is purchased or in advance if market conditions are favorable (~80% of '18 RINs purchased already)
    - Closely following proposed changes to RIN structure, which could favorably impact our future blending profits
  - Lock-in basis differentials, when reasonable to do so (10% of fall basis differential locked)

Butane Blending Expectations

- Our 2018 guidance assumed a net margin of 30 cents / gal based on our hedged position and forward curve entering the new year
  - Together, these factors resulted in a historically low margin and compare to 35 cents in ’17 and 50 cents in ‘16
- Contribution from butane blending also dependent on sales volume, which is impacted by quantity of gasoline transported and timing of sales, especially related to amount of year-end blended product carried over to the next year for sale
  - Total blended volume has doubled since ‘11 due to increased gasoline volumes, new projects and improved capture rates



- Beginning to lock in fall pricing now (~50% hedged), and the current forward curve would imply a higher margin than originally estimated for the year
  - Not prepared to change annual projections at this point but will update 2018 guidance when report 1Q18 financial results in early May

Fractionator

- Magellan owns 3 fractionators along our refined products pipeline system at Des Moines, El Paso and Odessa with nearly 10k bpd combined processing capacity
  - used to help manage commingled product resulting from pipeline shipments (transmix)
- Also purchase transmix from third parties at a discount, fractionate the transmix back into gasoline and distillate then sell the separated products
- Generally transmix is hedged as part of broader risk management pool of products
- Evaluating opportunities to invest in additional fractionation opportunities, including a new facility to handle Texas growth

Flashback: 2016 Key Focus Areas - Refined

- Leverage existing assets to meet market demand and expand access to new markets
- Maintain market share while maximizing rates
- Increase storage capabilities to meet customer needs
- Maximize blending volumes and price, including logistical cost savings
- Opportunistic acquisitions

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Accomplishments Toward 2016 Focus Areas – Refined

- Leverage existing assets to meet market demand and expand access to new markets
  - ✓ Commissioned Little Rock pipeline, including extension to access West Memphis
  - ✓ Established connectivity between our Midcontinent and Rocky Mtn systems
  - ✓ Enhanced pipeline system to provide bi-directional capabilities in the Midcontinent region
  - ✓ Initiated expansion of Texas system between East Houston and Hearne

- Maintain market share while maximizing rates
  - ✓ MMP transportation volumes have continued to grow, capturing our share of increased refined products demand
  - ✓ Although FERC index was negative or flat over last 2 years, increased pricing in competitive markets

Accomplishments Toward 2016 Focus Areas – Refined

- Increase storage capabilities to meet customer needs
  - ✓ Constructed nearly 3mm bbls of storage along our pipeline system for contract storage
- Maximize blending volumes and price, including logistical cost savings
  - ✓ Added rail capabilities at Colorado terminal to improve butane logistics costs
  - ✓ Start-up of Powder Springs joint venture with Colonial
- Opportunistic acquisitions
  - ✓ Opportunities considered, none closed due to capital discipline

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Current Key Focus Areas - Refined

- Maintain market share while maximizing rates
- Optimize existing assets in response to Midcontinent supply / demand shifts
- Capture opportunities to expand our pipeline capacity to better serve growing markets in Central and West Texas as well as increased demand in northern Mexico
- Expand fee-based ancillary services around our existing pipeline system
- Maximize butane blending volumes and margin

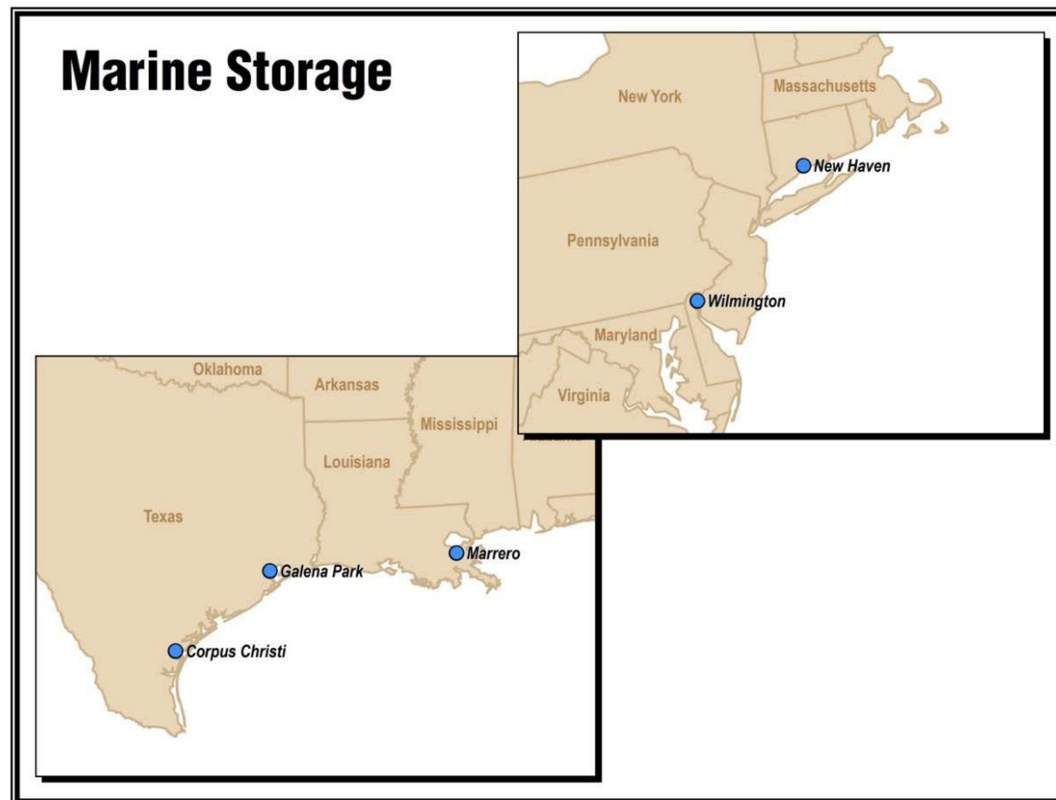
Questions

Marine Storage

Jeff Selvidge
Sr. Vice President, Commercial
Refined Products and Marine Storage

Marine Storage Segment Map

- 5 storage facilities with 26mm barrels of aggregate storage and 1.4mm bpd of dock capacity
- Storage utilization rates historically greater than 90%
- Strong demand due to market structure, pricing volatility and connectivity



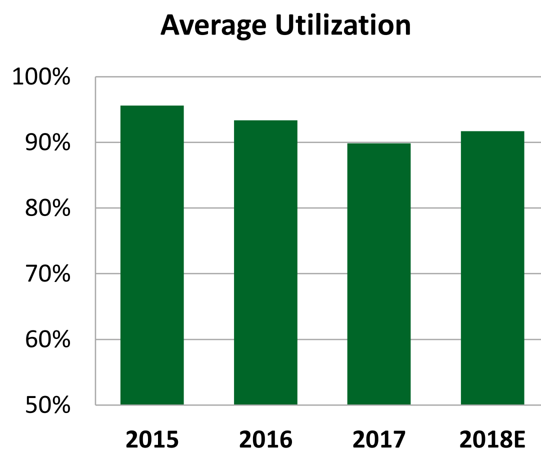
Marine Storage Profitability

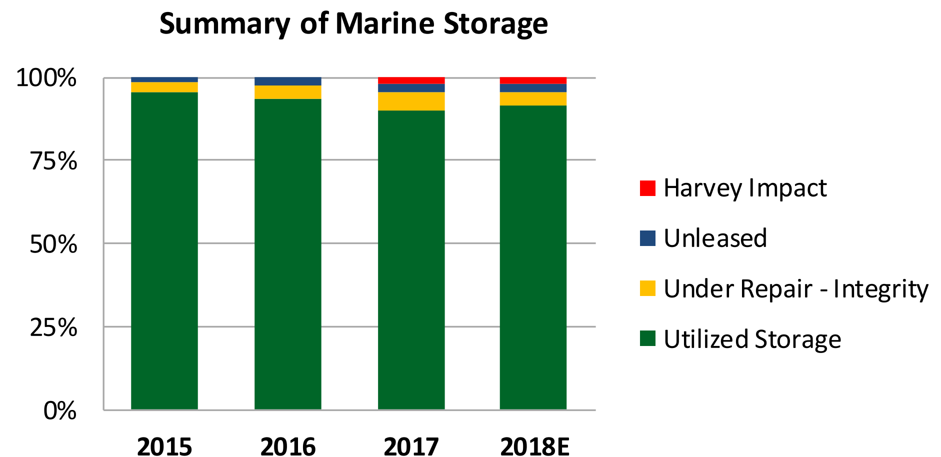
- Approximately 8% of Magellan's 2017 operating margin was generated from the marine storage segment
- Marine terminal profits primarily driven by amount of storage reserved, even if not used by customer
  - Utilization impacted by amount of storage contracted and timing of integrity work

$ & volumes in millions	**2015**	**2016**	**2017**	**2018 Guidance**
Average marine storage utilized (bbls/mth)	24.0	23.8	23.1	23.9
Transportation and terminals operating margin	$ 118	$ 120	$ 120	$ 132
Product margin	2	5	(1)	-
Total Marine Storage Operating Margin	**$ 120**	**$ 125**	**$ 119**	**$ 132**

Marine Storage Capacity Utilization

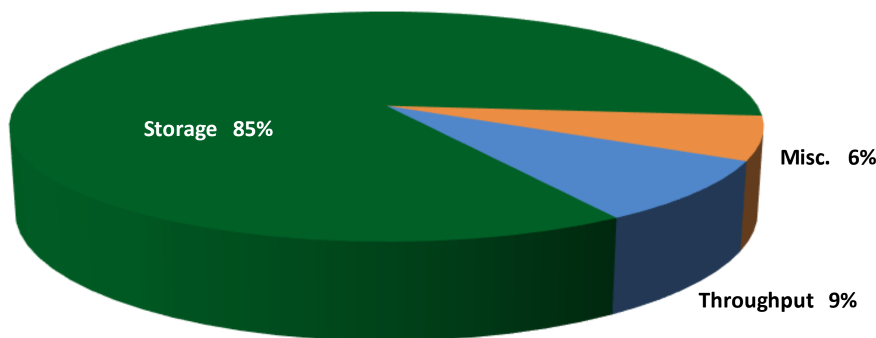
- Demand for marine storage remains strong, especially in the Gulf Coast, with average utilization 90%+ system-wide
- Timing of integrity work impacts utilization
  - Both 2017 and 2018 negatively impacted by Hurricane Harvey with tanks still out of service for repair through late '18
  - Looking ahead, ~4% of storage to be impacted by tank inspections and maintenance work during '18, with another 2% impacted by Harvey repairs
- Continued strong demand results in 97% of total available storage currently under contract

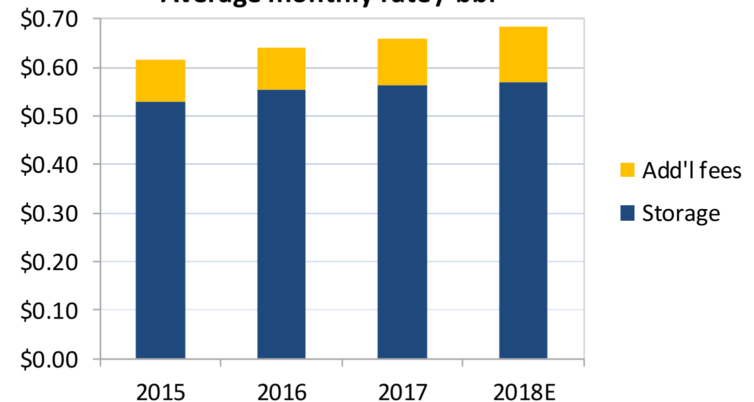




Marine Storage Fee-Based Revenues

- Generate 85% of revenue from committed storage
  - Customers obligated to pay regardless of usage
- Additional fees charged for throughput and other ancillary services such as heating, mixing and additive injection
- Contracts generally include annual rate escalations of 2-3%, with average storage rates expected to increase generally inline with these amounts
- Additional fees continue to increase related to construction management fees for the new Pasadena joint venture terminal





Marine Storage – Galena Park

- Largest and most complex of our facilities with 14mm bbls of aggregate storage and 550k bpd of dock capacity currently
  - Primarily gasoline, diesel and blendstocks, with crude oil capabilities added in 2016
  - Recently constructed 0.4mm bbls of storage, room to build an additional 1.2mm bbls
  - Exceptional connectivity to local refineries and pipelines, attractive dock positioning and depth
  - Construction of 5th dock nearing completion, expected to be fully operational by the end of ’18, increasing dock capacity to 750k bpd

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Marine Storage – Corpus Christi

- 2mm bbls of refined products storage and 100k bpd dock capacity via shared docks owned by the Port (an additional 1mm bbls of contract storage and our condensate splitter included in the crude oil segment)
  - Primarily refinery feedstocks
  - Access to local Corpus refineries and petrochemical plants
  - Additional room to construct more than 1mm bbls of storage at legacy terminal
  - Also own 100 acres of undeveloped land nearby, most likely to be used for future crude oil infrastructure

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Marine Storage – Other Locations

Marrero, LA

- 3mm bbls of storage and 275k bpd dock capacity
- Primarily fuel oils; customers addressing IMO 2020 regulations but don't expect material impact to MMP
- Additional room to construct 1mm bbls of storage

Wilmington, DE

- 3mm bbls of storage and 200k bpd dock capacity
- Primarily gasoline, diesel fuel and fuel oil
- Continue to improve product offering, including pipeline connection to PBF refinery in late 2016
- Additional room to construct 1mm bbls of storage

New Haven, CT

- 4mm bbls of storage with 300k bpd dock capacity
- Primarily handling heating oil, gasoline, distillate and asphalt
- Facility fully leased on long-term basis
- Additional room to construct almost 1mm bbls of storage

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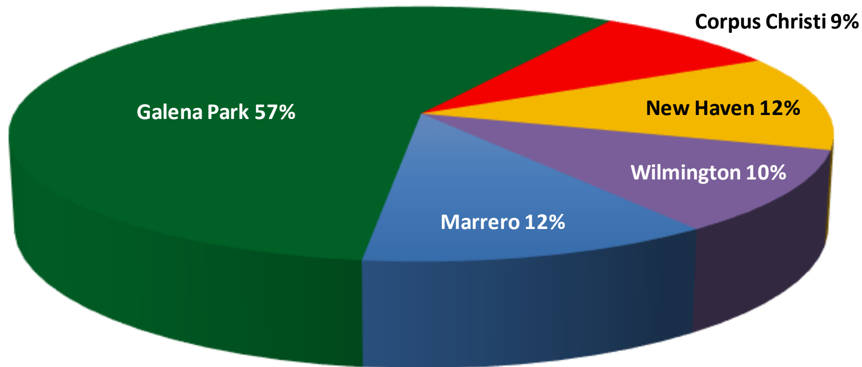

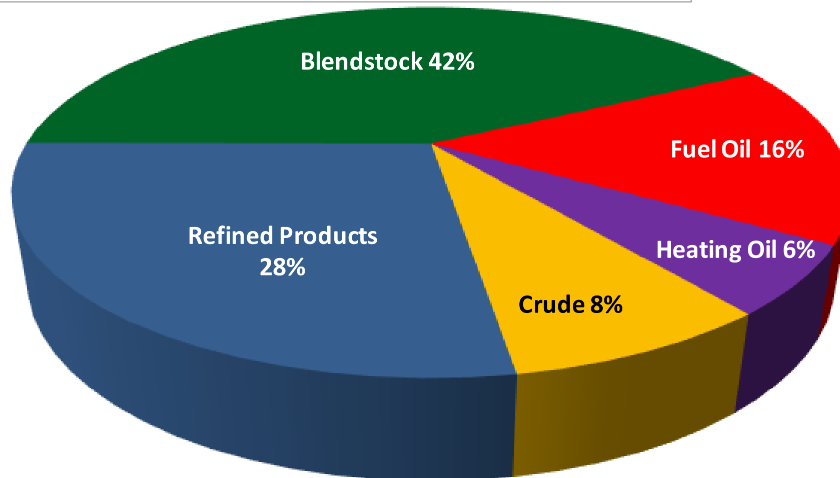

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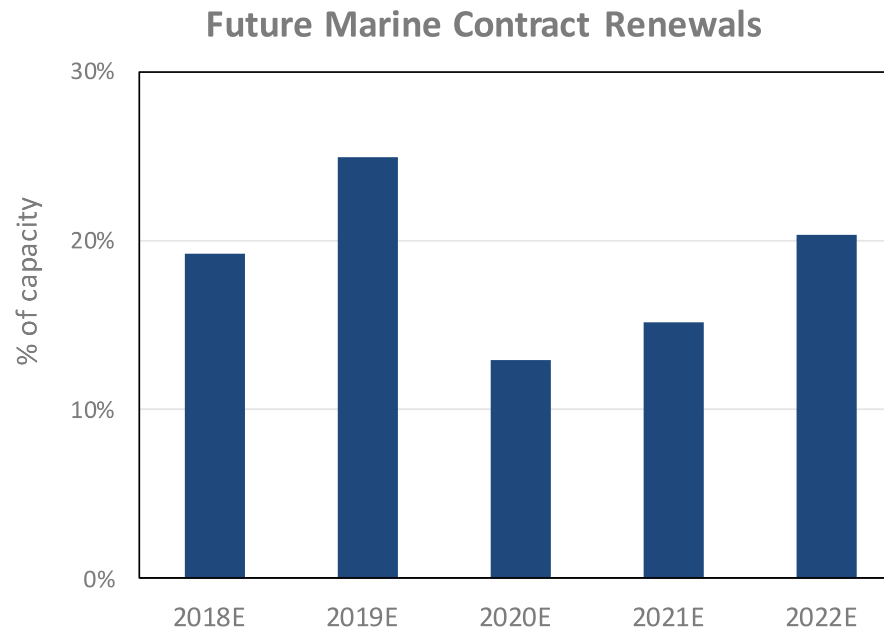
Marine Storage Contract Maturity Schedule

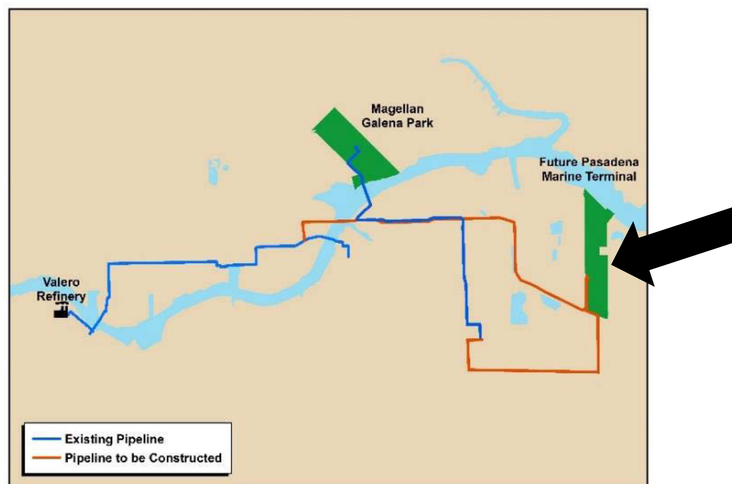
- Expect overall utilization to remain high due to continued strong demand for export capabilities, particularly in the Gulf Coast area

- Average remaining contract life of approx. 2 years
  - Typical renewal period for expiring contracts is 2-3 years
  - Generally longer-term contracts (5+ years) associated with new construction projects



Future Growth: Pasadena Marine Terminal JV

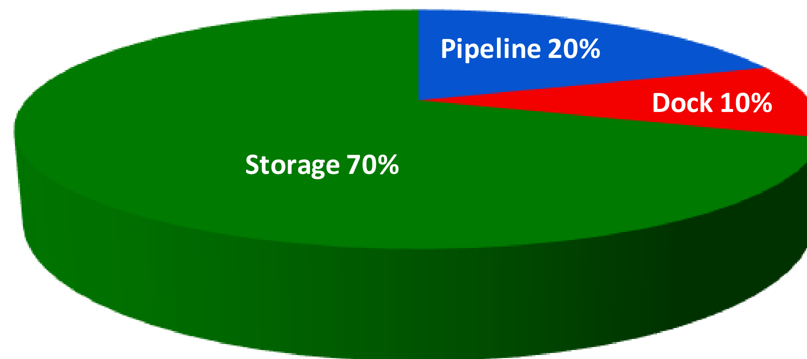
- 50/50 joint venture with Valero Energy to construct new marine terminal on 200 acres in Pasadena, TX
  - Phase 1: 1mm bbls of storage and a Panamax-capable dock; expect to be operational in early 2019
  - Phase 2: 4mm bbls of storage, 3-bay truck rack, Aframax-capable dock and connectivity to Valero's refineries in Houston and TX City; expect to be operational in early 2020
- Facility could be doubled in size to include another 5mm bbls of storage and 3 additional docks



Expected Financial Results of Pasadena JV

- $410mm for MMP's share of capital spending for initial 2 phases
  - Fully supported by long-term customer contracts, generating a 9x EBITDA multiple
  - ~50% of total project cost committed at this point (70% of phase 1, 30% of phase 2)
  - Steel pricing already locked in for tanks and pipes

Project cost by category



- If facility fully built out to 10mm bbls of storage and 5 docks, MMP's total investment potential could be ~$700mm at 8x EBITDA multiple

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Key Milestones for Pasadena JV

- Phase 1
  - Current status — 5 of 11 tanks complete, pipeline and dock construction underway
  - Mid 2018 — All 1mm bbls of storage constructed
  - Late 2018 — Pipelines and dock / dredging complete
  - Jan. 2019 — Expected in-service

- Phase 2
  - Current status — Tank foundations underway
  - Mid 2019 — All 4mm bbls of storage constructed
  - Late 2019 — Pipelines and dock complete
  - Jan. 2020 — Expected in-service

Flashback: 2016 Key Focus Areas - Marine

- Create solutions to satisfy increasing demand for marine storage and import / export capabilities
- Enhance connectivity
- Maximize utilization and pricing for existing facilities

Accomplishments Toward 2016 Focus Areas - Marine

- Create solutions to satisfy increasing demand for marine storage and import / export capabilities
  - ✓ Construction of new Galena Park dock
  - ✓ Addition of 0.4mm bbls of new storage at Galena Park
  - ✓ Acquired 200 acres of land in Pasadena, Texas to develop high capacity marine export terminal, with phases 1 and 2 underway at this time
- Enhance connectivity
  - ✓ Improved Galena Park versatility by adding connections to Valero Houston, Targa Mont Belvieu and Enterprise
  - ✓ Addition of inbound pipeline connection to Wilmington terminal from PBF refinery
- Maximize utilization and pricing for existing facilities
  - ✓ Addition of new infrastructure and connections increases attractiveness and value of MMP's marine assets

Current Key Focus Areas - Marine

- Increase export capacity from PADD 3
- Integrate crude optionality for marine facilities, especially along the Gulf Coast
- Fully develop Pasadena marine terminal and maximize integration with existing Magellan assets

Questions

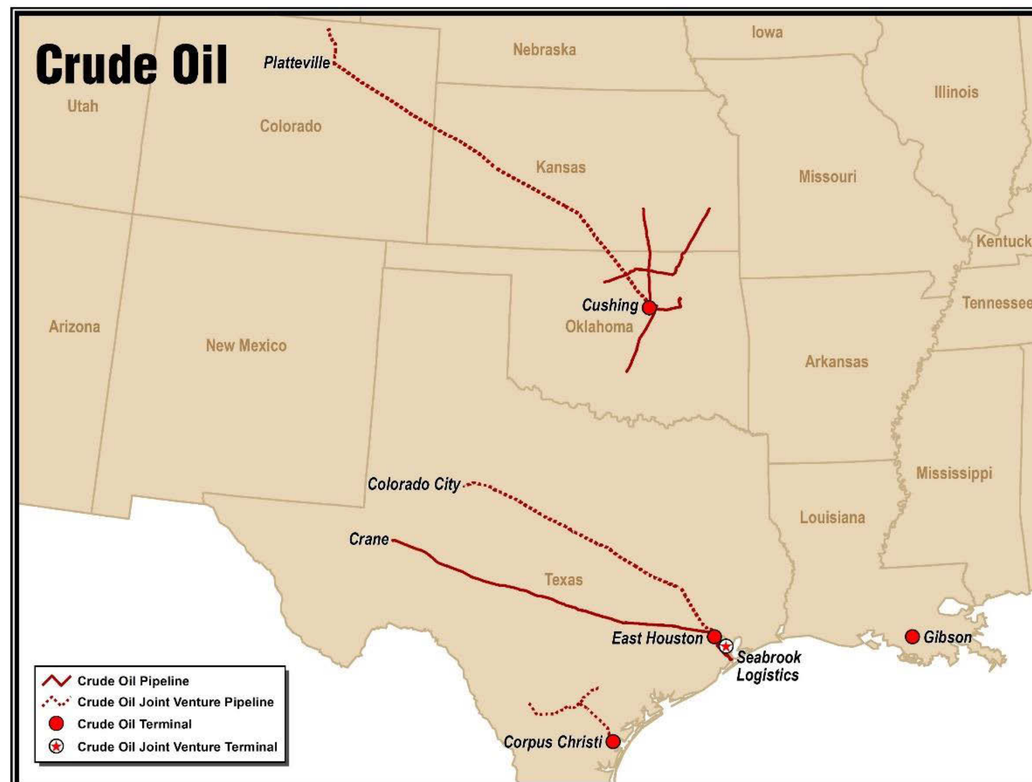
15-Minute Break

Crude Oil

Robb Barnes
Sr. Vice President, Commercial
Crude Oil

Crude Oil Segment Map

- 2,200 miles of crude oil pipelines, substantially backed by long-term throughput commitments
- 28mm barrels of total crude oil storage, including 18mm barrels used for contract storage
  - One of the largest storage providers in Cushing, OK and growing Gulf Coast storage presence



Crude Oil Profitability

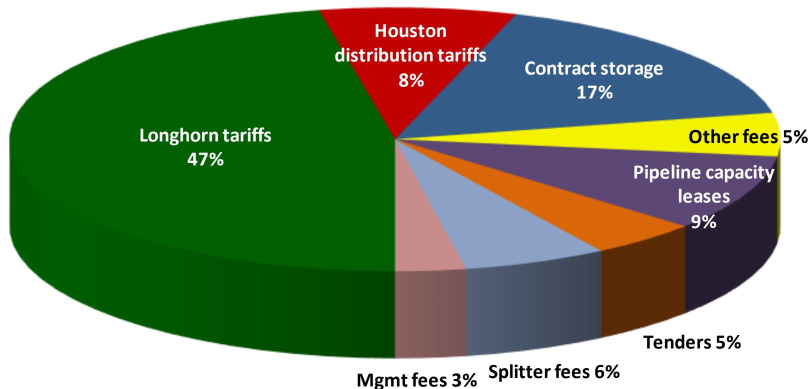
- Approximately 33% of Magellan's 2017 operating margin was generated from the crude oil segment
- Profits significantly driven by take-or-pay commitments for crude oil pipelines and storage

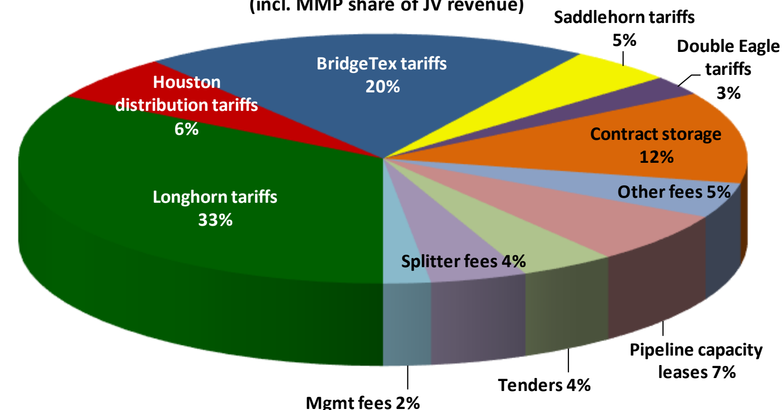
$ & volumes in millions	2015	2016	2017	2018 Guidance
Volume shipped (bbls)	210	187	196	216
Transportation revenue per barrel shipped	$ 1.12	$ 1.32	$ 1.35	$ 1.20
Average crude oil storage utilized (bbls/mth)	13.1	15.0	15.3	17.4
Transportation and terminals operating margin	$ 318	$ 331	$ 351	$ 383
Earnings of non-controlled entities	64	77	120	132
Product margin	-	-	(4)	-
Total Crude Oil Operating Margin	**$ 382**	**$ 408**	**$ 468**	**$ 515**

* Product margin and operating margin exclude unrealized mark-to-market and other commodity-related adjustments

Sources of Fee-Based Crude Oil Revenue

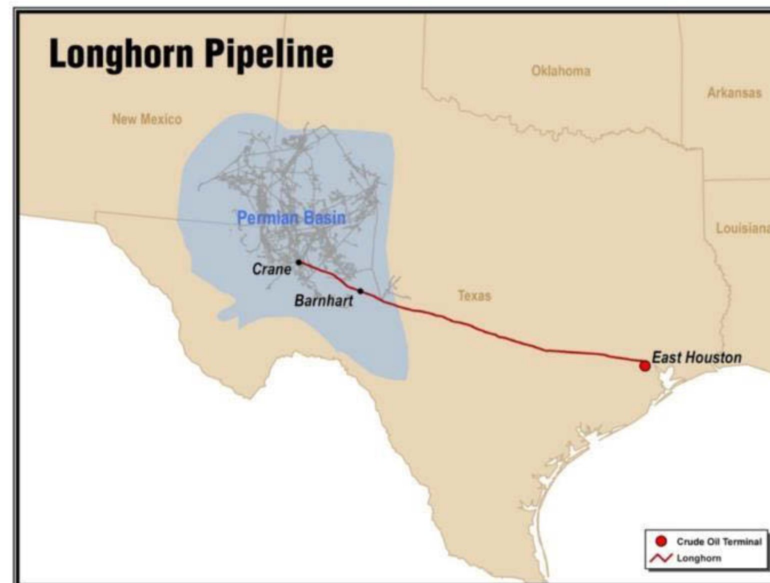
- Pipeline tariff revenue accounted for 55% of transportation and terminals revenue for the crude oil segment during 2017
  - Reminder: Joint venture contributions, including BridgeTex and Saddlehorn, shown as earnings of non-controlled entities in financial results instead of revenue
- Storage revenues contributed almost 20% of ’17 revenues, primarily related to Cushing and increasing East Houston storage presence
- Remaining revenues primarily related to fee-based activities such as pipeline capacity leases (mainly line space leased to BridgeTex) and splitter fees that are new to MMP in ’17
- If include MMP’s share of JV revenue in analysis, tariffs would have comprised 2/3 of 2017 fee-based revenues





Longhorn Pipeline

- 275k bpd pipeline providing important take-away capacity from the Permian Basin
- Handles WTI, WTS and condensate
- Primarily receives product through strategic interconnects with Medallion, Noble, Oryx and Plains' pipelines
- Increased attractiveness of Longhorn system by building out Magellan's entire value chain, enhancing Houston distribution system and providing future export solution via Seabrook Logistics



Longhorn Volume and Rates

- Expect ‘18 shipments to be similar to historical levels at 260k bpd
  - Leave 10% of capacity available for spot shipments each month
  - No spot shipments assumed in ‘18 guidance
- Current 5-year contracts expire Sept. 30, 2018
  - Almost all existing customers have now extended their contracts under current terms for 2 years, as allowed by expiring agreements
  - MMP would prefer longer-term commitments and remains in active negotiations with these shippers to extend the contract length
  - Due to the long-term competitive market conditions for Permian take-away capacity, we continue to expect longer-term committed rates to decline from current levels, which has been considered in our guidance
- Average committed tariff currently ~$2.30 / bbl, spot tariff closer to $4 / bbl
- Current contracted rates generally adjust by FERC index, with certain modifications (incl. tariffs held flat if index is negative)

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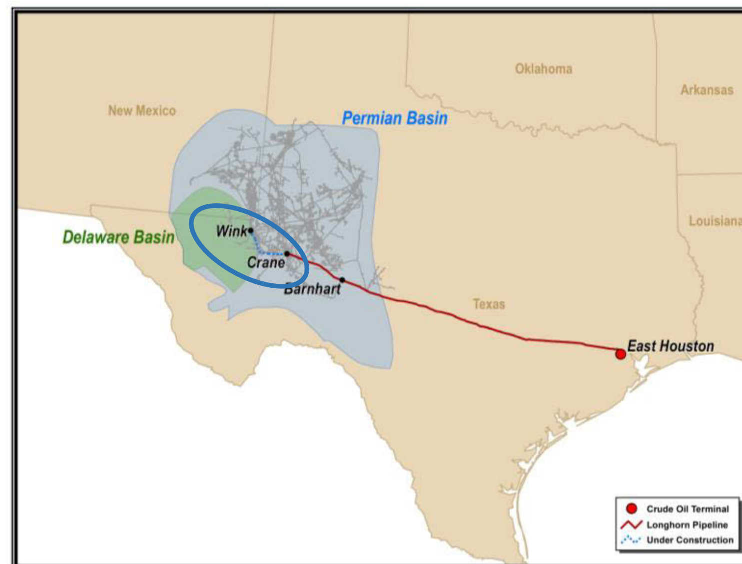
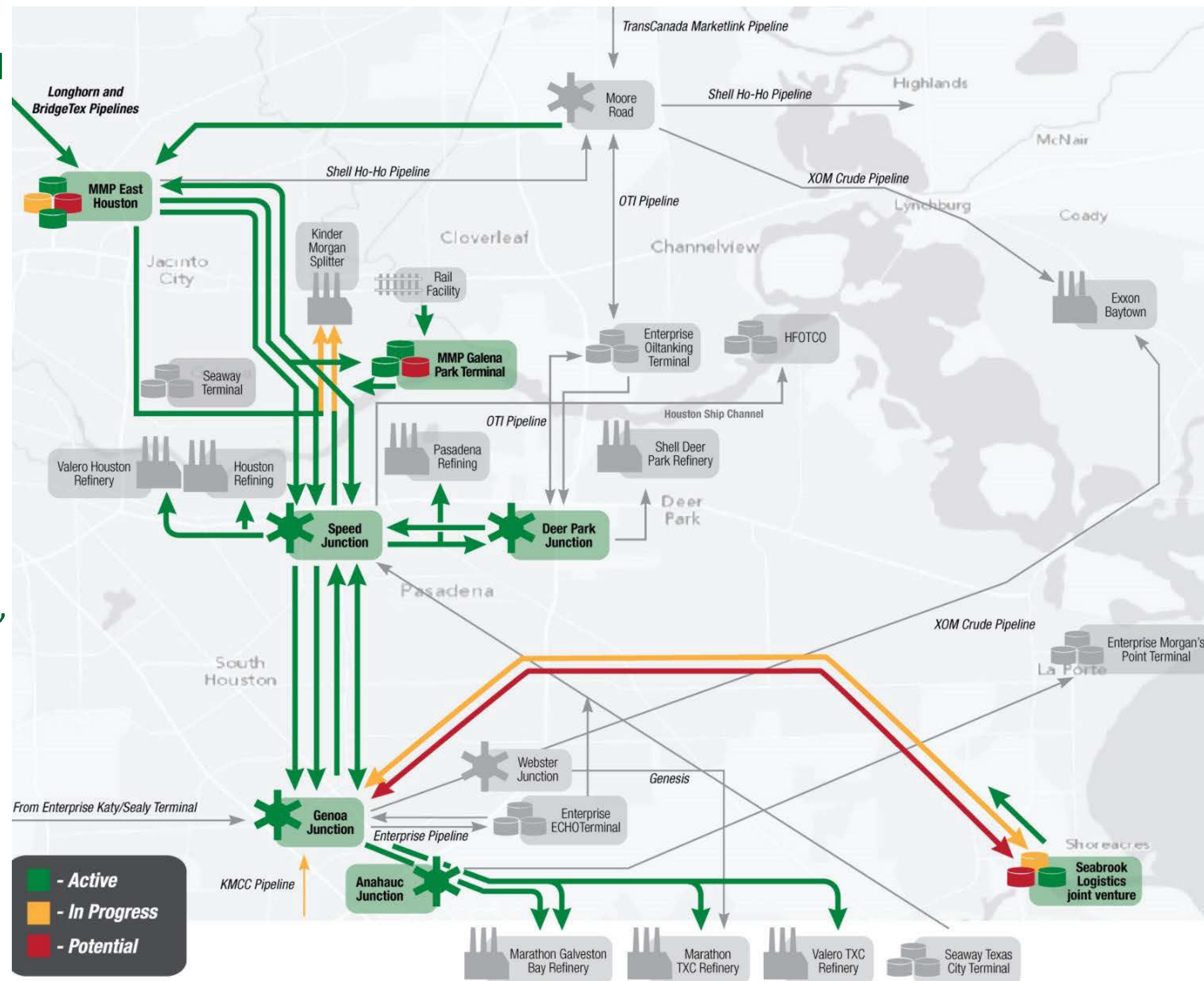
Delaware Basin Crude Oil Pipeline Update

- In Sept. 2017, Magellan announced plans to construct a 60-mile crude oil and condensate pipeline between Wink and Crane, Texas with a capacity up to 600k bpd
- Currently evaluating optimization of this project through a joint venture or undivided joint interest arrangement with a third party
- Pipe has been ordered and right-of-way work started
- MMP's current spending estimates remain $150mm, pending outcome of optimization efforts
- In-service date of mid-2019 still expected



Houston Crude Oil Connectivity

- Magellan continues to make strategic investments to build out its comprehensive crude oil / condensate distribution system in Houston
  - HoustonLink JV with TransCanada improves connectivity, providing Marketlink shippers access to MMP's extensive network
  - East Houston-to-Holland pipeline now operational, allowing Magellan to handle incremental volumes from long-haul pipes
  - Connectivity to KMCC pipeline expected to be operational in mid '18 and to Kinder Morgan's splitter in late '18



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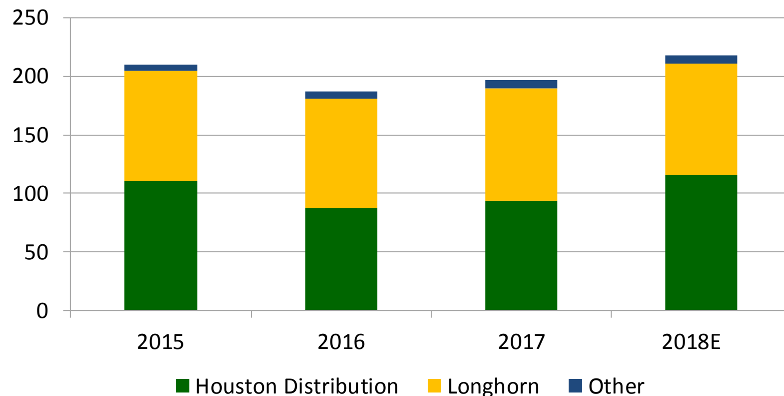
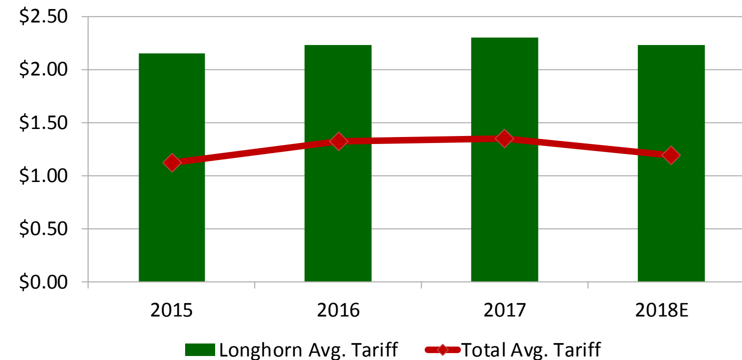
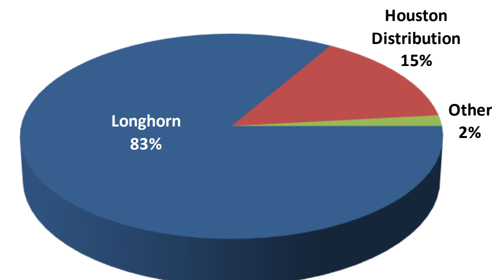
Wholly-Owned Crude Oil Pipeline Volume and Rates

- Crude oil shipments from our wholly-owned pipes expected to increase by ~10% in 2018, primarily due to more volume moving on the Houston distribution system as a result of higher BridgeTex shipments and benefit of new projects, such as East Houston-to-Holland pipe, HoustonLink and Seabrook Logistics export capabilities
- Average tariff / bbl expected to decrease in '18 due to mix of crude oil shipments (more moving on lower-priced Houston distribution system) and reduced Longhorn pricing upon re-contracting in 4Q18

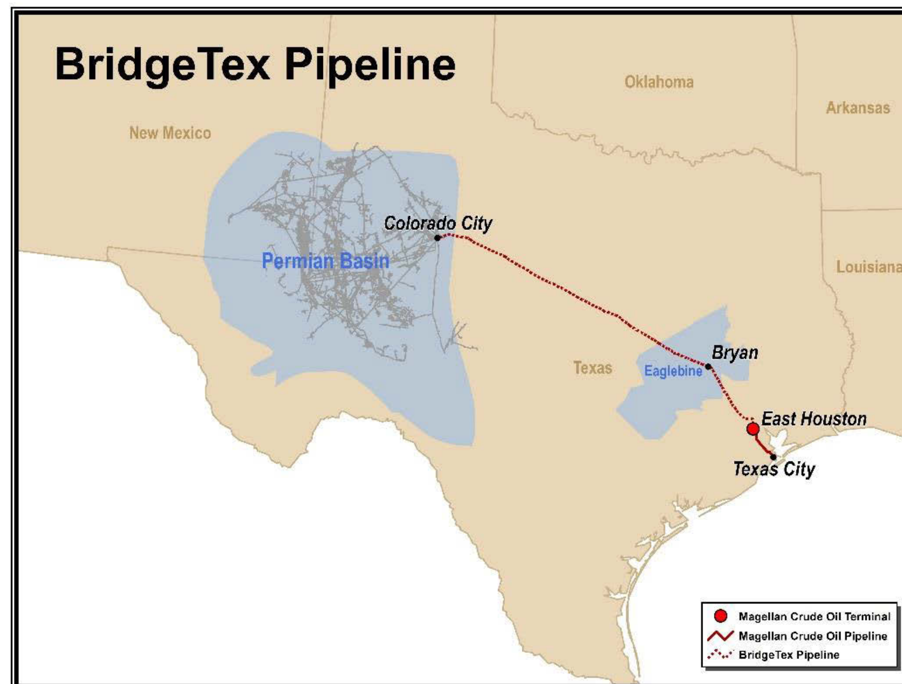






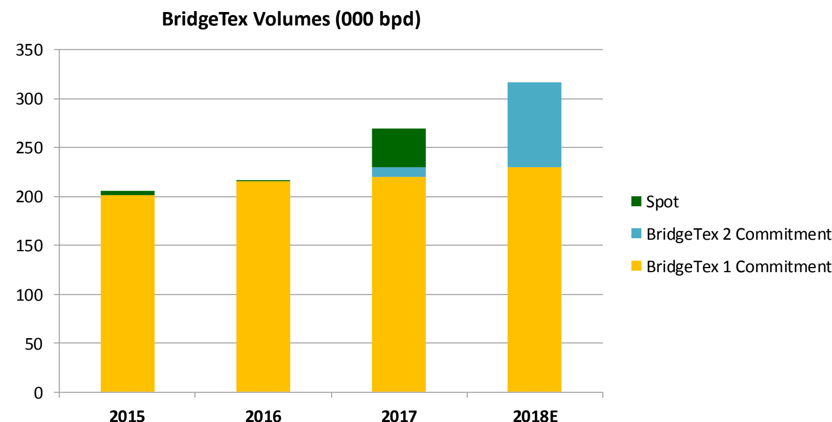
BridgeTex Pipeline

- 50/50 joint venture with Plains
- 300k bpd pipeline initially, expanded to 400k bpd in mid-2017; further expanding to 440k bpd by early '19
- Handles WTI, WTS, Eaglebine and condensate
- Primarily receives product through strategic interconnects with Centurion, Medallion, NuStar and Plains' pipelines



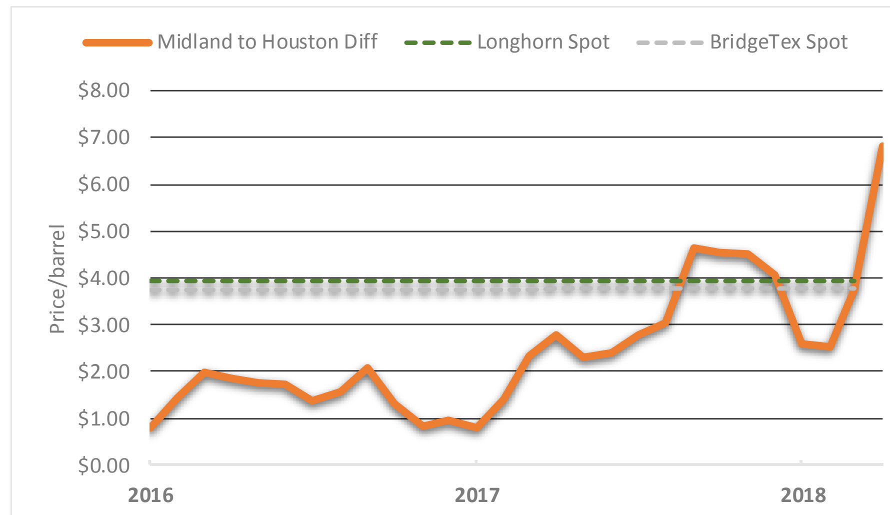
BridgeTex Volume and Rates

- Expect ‘18 shipments to be 315k bpd, or slightly higher than committed levels, at average rate of ~$2.35 / bbl
  - BridgeTex 1: 70% of initial 300k bpd pipeline capacity committed under long-term, take-or-pay contracts at average rate of ~$2.60 / bbl
  - BridgeTex 2: Additional commitments equal to 80k bpd received on incremental capacity for ‘18 at average rate of $1.85 / bbl (incl. lower Eaglebine rate). Contracts range in length from 3 – 10 years, with volume ramping up to 110k bpd in ’20
- No spot shipments assumed for ’18 at current spot tariff of ~$3.80 / bbl; expect customers to ship slightly higher than committed levels at their contract rates
- Contracted rates adjusted by FERC index, subject to certain modifications (incl. tariffs held flat if index is negative)
- Average remaining contract life of approx. 7 years



Crude Oil Differential

- Pricing differential between the Permian Basin and Houston drives demand for spot shipments on Longhorn and BridgeTex pipelines
- Although differential was favorable for spot shipments in late 2017, no spot shipments assumed for Longhorn and BridgeTex in 2018
- While pricing changes on a daily basis, recent differential between Midland and Houston of >$4 / bbl is supportive of spot movements as exceeds the spot tariff
- If favorable conditions remained throughout the rest of the year, spot shipments could add up to $30mm on an annualized basis to our financial results



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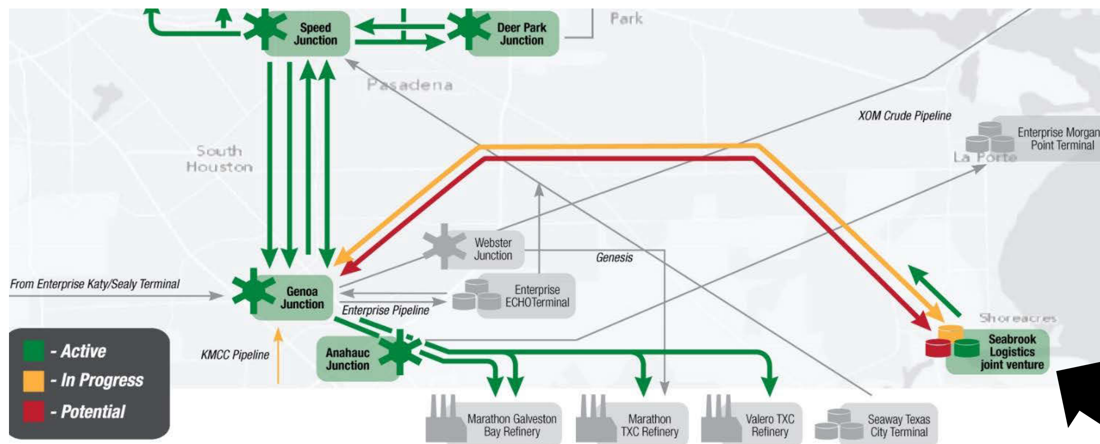
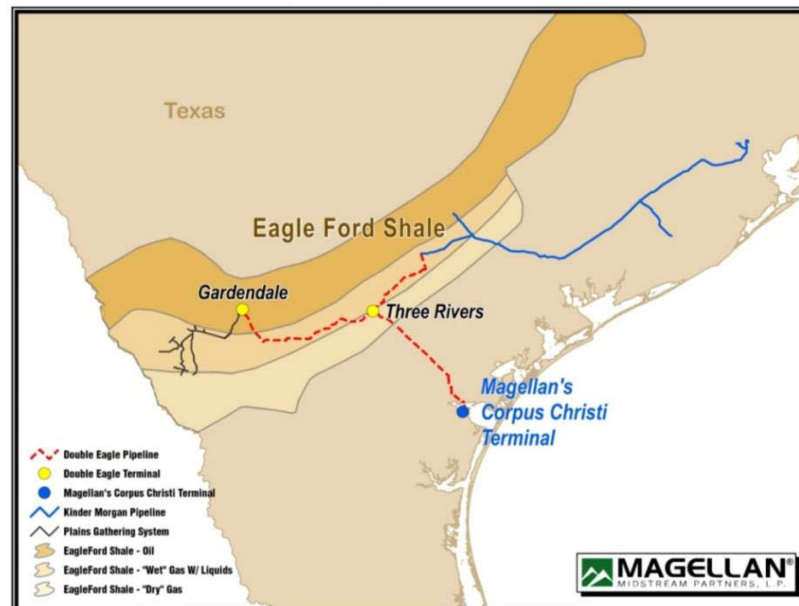
Seabrook Logistics = Crude Export Solution

- 50/50 joint venture with LBC Tank Terminals with 400k bpd dock capacity
  - Phase 1: Operational April '17, including 700k bbls of crude oil storage to handle crude oil imports under a long-term commitment
  - Phase 2: Additional 1.7mm bbls of storage to handle crude oil exports and imports + connectivity to MMP's Houston crude oil distribution system
    - ➢ Expect to be operational mid-2018, with MMP leasing 1mm bbls storage for use in our contract storage program and generating an 8x EBITDA multiple on $125mm investment
  - Potential opportunity for 3mm more bbls of storage, a Suezmax-dock with 300k bpd dock capacity and second pipeline from MMP's Houston crude oil pipeline system



Double Eagle Joint Venture

- JV with Kinder Morgan to transport condensate from the Eagle Ford
  - 200-mile, 100k bpd pipeline, expandable to 150k bpd
  - Batched system capable of transporting distinct condensate qualities to final destination
  - Delivers to Magellan's Corpus Christi terminal and connects to Kinder's system for delivery to the Houston Ship Channel
  - Take-or-pay commitments equal to 70% of capacity
  - Average remaining contract life of approx. 5 years



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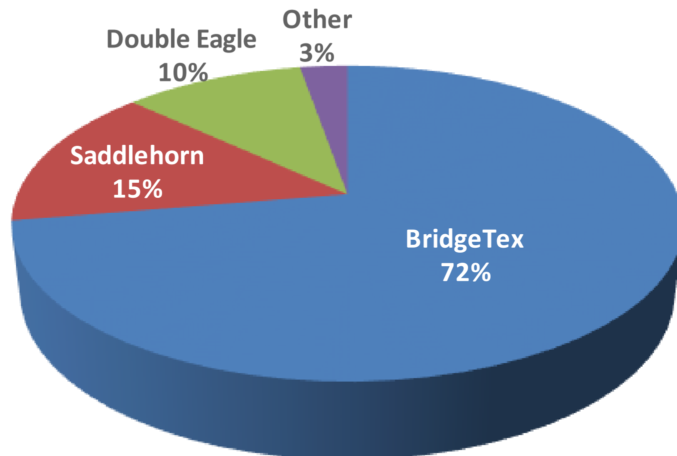
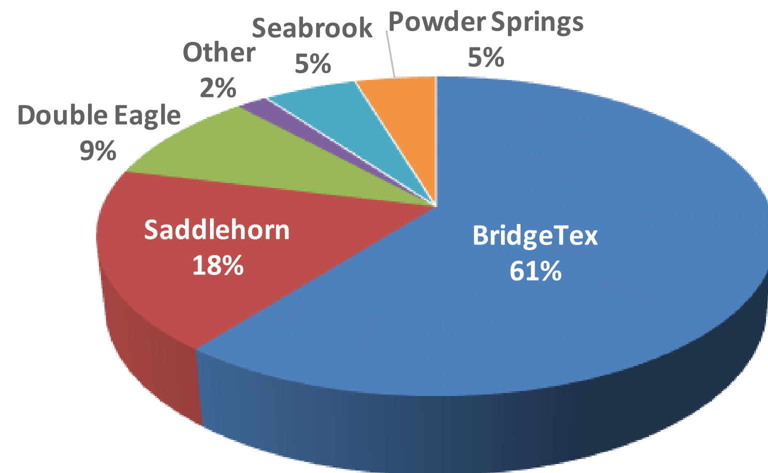
Saddlehorn Pipeline

- Joint venture to deliver crude oil and condensate from DJ Basin and potentially broader Rocky Mtn region to Cushing
  - 600-mile pipeline with initial capacity of 190k bpd, expandable to 300k bpd
  - Ownership structure: Magellan 40%, Plains 40%, Anadarko 20%
- Take-or-pay commitments from Anadarko and Noble through late 2021
  - 60k bpd committed currently, increasing to 70k in Sept ’18, providing significant upside potential
  - Contracted rates increase annually by a nominal fixed amount, not tied to index
- With recent favorable activity in DJ, optimistic add’l barrels can be sourced
- Continue to assess joint tariffs with existing pipelines from Bakken and Powder River

Significant Contribution from Joint Ventures

- While Magellan generally prefers to own 100% of its assets, joint ventures can make sense in certain strategic situations
- Our business has grown significantly through the addition of joint ventures, especially related to crude oil pipelines
- During 2017, MMP received cash distributions of $146mm from its joint ventures, contribution expected to grow to $170mm in 2018





East Houston Crude Oil Storage

- Currently 5mm barrels of contract storage at East Houston, with another 1.5mm barrels under construction and expected to be operational by mid-2018
- Magellan's East Houston terminal has become an increasingly important location for crude oil storage
  - Landing spot for Longhorn, BridgeTex and HoustonLink shipments, with more volume moving through expanded BridgeTex capacity
  - Serves as Houston pricing point for Argus and Platts
  - In early '18, ICE auction launched for short-term storage contracts at our East Houston facility
  - Future plans: ICE to offer physically deliverable futures contracts at our East Houston terminal, increasing the attractiveness of Houston as a global crude oil trading hub

Cushing Crude Oil Storage

- With 12mm barrels of total storage, Magellan is one of the largest owners of crude oil storage in Cushing
- Profit driven by storage utilized – 11mm bbls used for contract storage with average remaining life of approx. 3 years
  - Currently constructing 1mm bbls of new storage to be completed mid '18, supported by customer commitment
  - Increasing optionality and attractiveness of Magellan's Cushing terminal by expanding throughput capabilities and increasing direct connectivity to more inbound and outbound pipelines

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Cushing Will Remain an Important Crude Oil Hub

- Provides traders flexibility to deliver crude oil to the highest margin market at a given time
- Low storage costs relative to Gulf Coast
- Continued need for strategically-placed blending services or quality segregation due to the growing variety of crude oil grades and specifications

Our Competitive Advantage: Magellan operates its assets in a way that gives our customers greater confidence in maintaining the quality of crude oil they store in our facilities, increasing the attractiveness of our Cushing storage

We believe our independent crude storage model makes our tankage more attractive than many of our competitors

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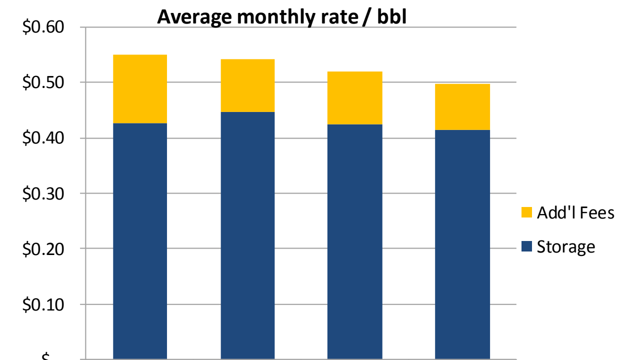
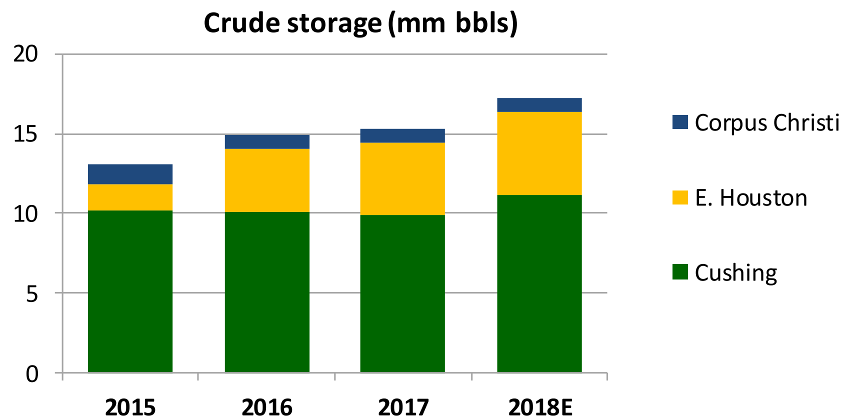
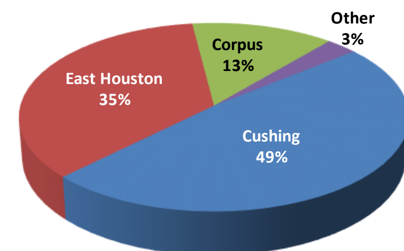
Crude Oil Storage Utilization and Rates

- Magellan also owns ~1mm barrels of crude oil and condensate storage at our Corpus Christi terminal used for contract storage
- Demand for crude oil storage at all locations remains solid, with 3mm bbls of storage under construction currently at Corpus Christi, Cushing and East Houston combined
- Average storage rate / bbl has decreased slightly due to lower pricing for recent term commitments, in part due to incentive rates associated with more volume
- Add'l fees primarily related to pumpover charges to move product between facilities
- Average remaining contract life of approx. 2 years







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Corpus Christi Condensate Splitter

- Magellan began commercial operation in June 2017 for newly-constructed 50k bpd condensate splitter at our Corpus Christi terminal
- Fee-based project, fully committed with long-term, take-or-pay agreement with Trafigura
- With mid-year start-up and negative impact from Hurricane Harvey in 2017, 2018 represents first full year of operation
- Continue to hone operating procedures, splitter running well
- Final spending estimated to be $340mm, generating a 7-8x EBITDA multiple

Flashback: 2016 Key Focus Areas – Crude Oil

- Extend pipeline systems deeper into the basins to help secure barrels for our long-haul pipelines
- Enhance import / export marine capabilities
- Increase storage capacity to meet customer needs

Accomplishments Toward 2016 Focus Areas - Crude

- Extend pipeline systems deeper into the basins to help secure barrels for our long-haul pipelines
  - ✓ Added gathering capabilities for Saddlehorn, including Cheyenne extension
  - ✓ Commenced operation of new Eaglebine origin for BridgeTex
  - ✓ Finalizing project to construct Delaware Basin pipeline
  - ✓ Acquired nearly 100 acres of land in Midland, Texas; considering possible terminal and pipeline builds

- Enhance import / export marine capabilities
  - ✓ Expanded Seabrook Logistics joint venture, including additional storage capacity and connectivity to Magellan's Houston distribution system
  - ✓ Connected Houston distribution system to our Galena Park marine terminal
  - ✓ Began permitting process for 100 acres of undeveloped land at Corpus Christi for future opportunities to construct storage and docks

- Increase storage capacity to meet customer needs
  - ✓ Built additional storage capacity at Corpus Christi, Cushing and East Houston
  - ✓ Initiated short-term ICE storage auction with future plans for ICE to offer physical delivery futures contracts at East Houston

Current Key Focus Areas - Crude Oil

- Maximize available space and re-contracting of long-haul pipelines and storage
- Extend pipeline systems deeper into the basins to help secure barrels for our long-haul pipelines
- Further enhance crude oil export capabilities
- Emphasize quality of customers' product

Questions

Finance Review

Aaron Milford

Chief Financial Officer

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Overview

- Our financial strategy has not varied through time, and we remain committed to a strong balance sheet with an emphasis on flexibility
- We continue to believe that we can fund our existing slate of projects without needing to issue any equity
- Our cost of capital remains among the lowest in the space to support future growth
- Our financial approach allows for patience as we seek to add value for investors

Consistently Strong Financial Performance

- Magellan generated record DCF in 2017
- Fundamentals for our business continue to be positive across all of our segments
- Expect 2018 to be another record year for DCF

$ in millions	2015	2016	2017	2018 Guidance
Refined Products	$ 793	$ 792	$ 837	$ 851
Crude Oil	382	408	468	515
Marine Storage	120	125	119	132
Allocated depreciation costs	4	5	5	5
Segment Operating Margin *	**$ 1,299**	**$ 1,330**	**$ 1,429**	**$ 1,503**
G&A Expense	$ (150)	$ (147)	$ (166)	$ (180)
Interest Expense, net, excl. debt cost amortiz.	(140)	(162)	(191)	(215)
Maintenance Capital	(89)	(104)	(91)	(90)
Other Adjustments	23	30	40	32
Distributable Cash Flow	**$ 943**	**$ 947**	**$ 1,021**	**$ 1,050**
Distributions (declared)	$ (684)	$ (755)	$ (818)	$ (885)
Excess Cash Flow	**$ 259**	**$ 192**	**$ 203**	**$ 165**
	1.4x	1.3x	1.2x	1.2x

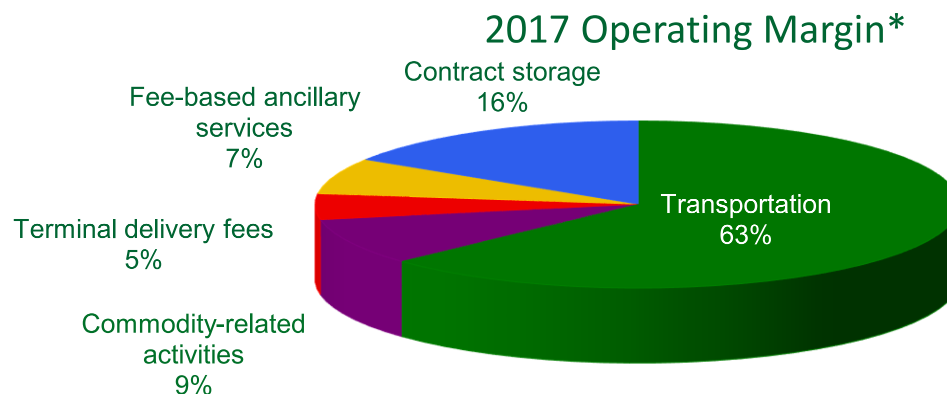
* Segment operating margin excludes unrealized mark-to-market and other commodity-related adjustments

Limited Direct Commodity Exposure

- Our exposure to variability in our commodity related activities has declined over the last several years
  - Growth in fee-based business generally
  - Lower butane blending margins compared to the highs of 2014

- Continue to emphasize fee-based growth due to its stability, but will also opportunistically grow our commodity activities

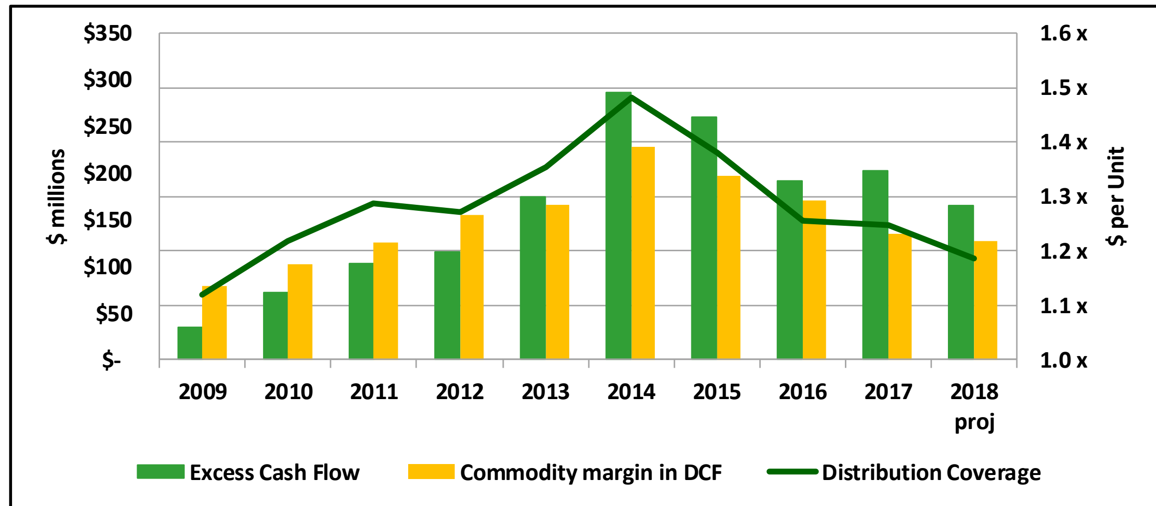
- As butane blending margins increase over time, would expect commodity activities to become a larger contributor in the future than '17 results, but will remain a limited portion of our business overall at <15% of operating margin

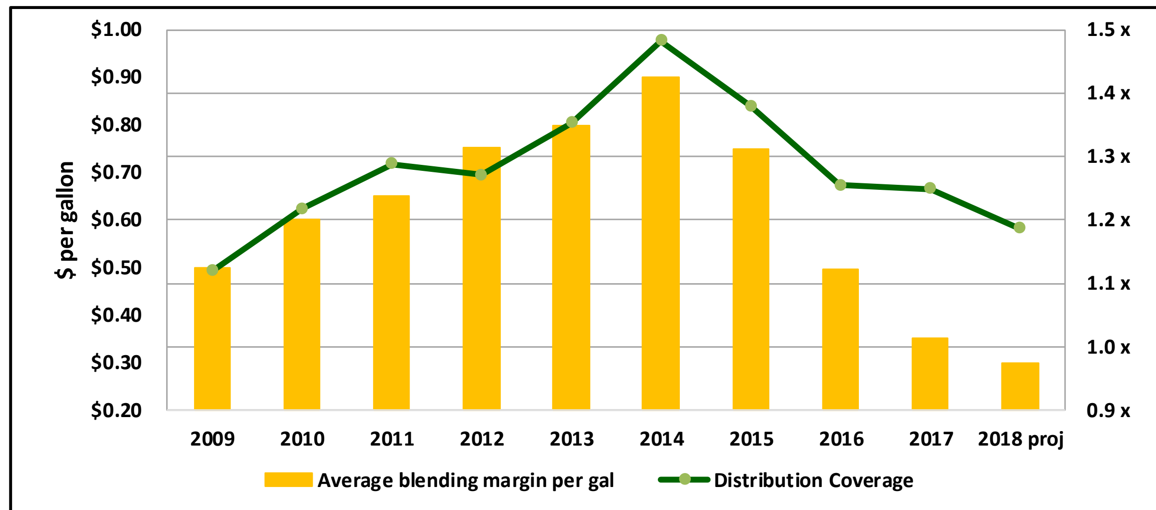


* Operating margin represents operating profit before depreciation & amortization and general & administrative costs; excludes unrealized mark-to-market and other commodity-related adjustments

Continue to Target Healthy Coverage

- Coverage has been strong despite historical 5-year distribution growth CAGR of nearly 14%
- Targeting 1.2x coverage over foreseeable future (vs. "at least 1.1x" previously)
  - Higher target partially reflection of shift in investor preference, but also recognition of business risks and value of financial flexibility
- Commodity margins affect coverage / excess cash flow
  - Comfortable with distributing a base amount of commodity margin
  - Lower current margins imply less downside risk to DCF
  - But excess cash flow not solely driven by commodity margin
  - Targeting higher coverage despite low current margins
- Key continues to be healthy balance between growth and coverage





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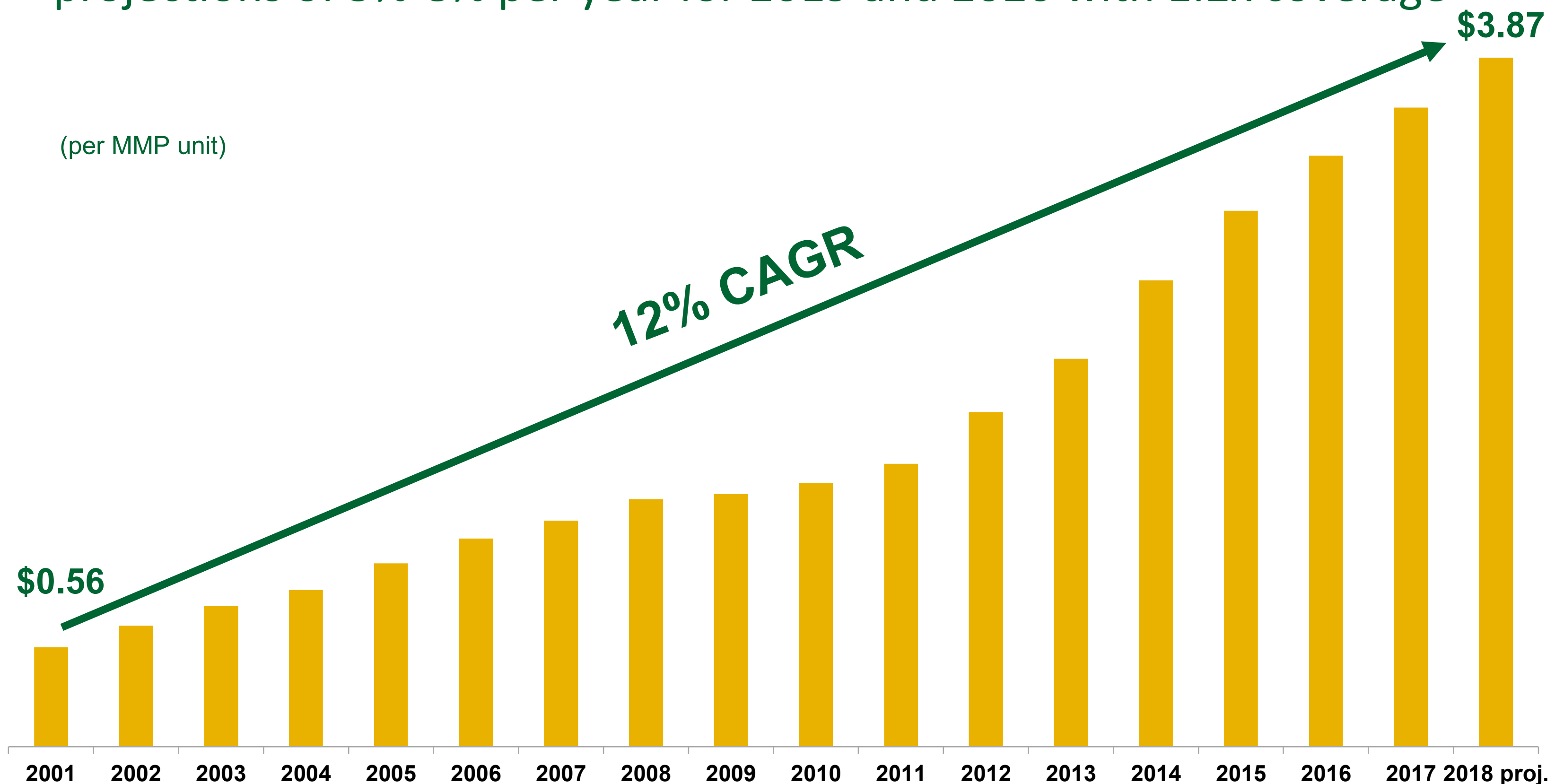
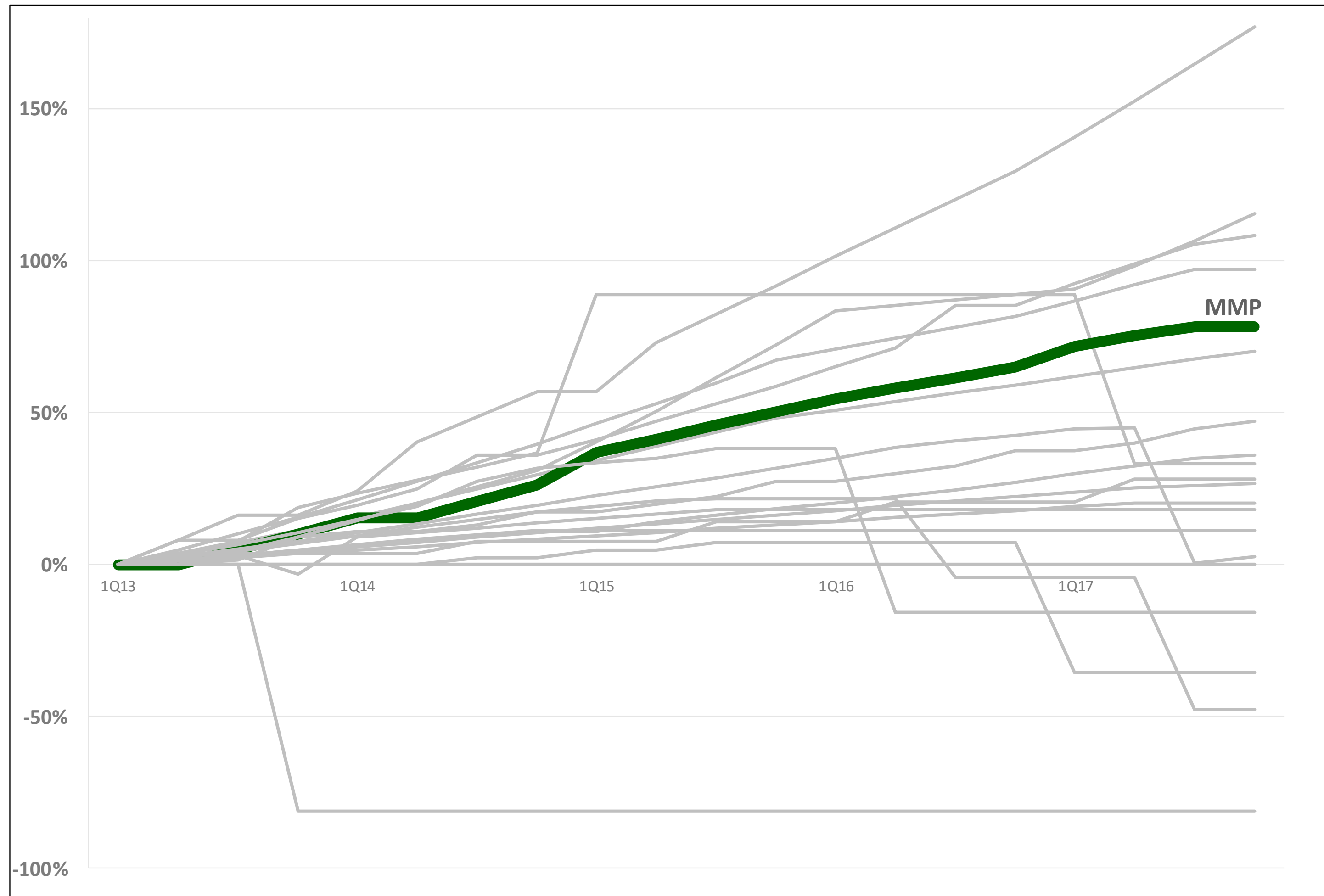
Distribution Growth Trend

- Proven history of distribution growth
- Targeting 8% annual distribution growth for 2018 with 1.2x coverage
- Going forward, plan to manage distribution growth in-line with DCF growth projections of 5%-8% per year for 2019 and 2020 with 1.2x coverage



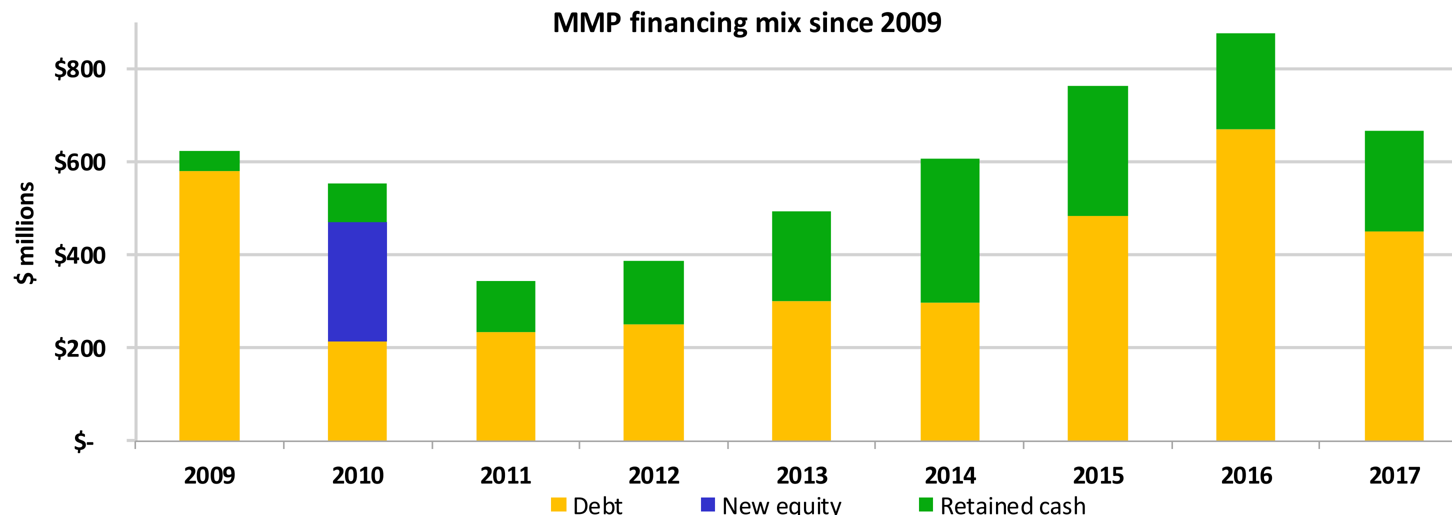
Steady Distribution Growth Amid Volatility

- Distributions of MLPs that make up AMZI have diverged in recent years, but Magellan's distribution growth has remained steady



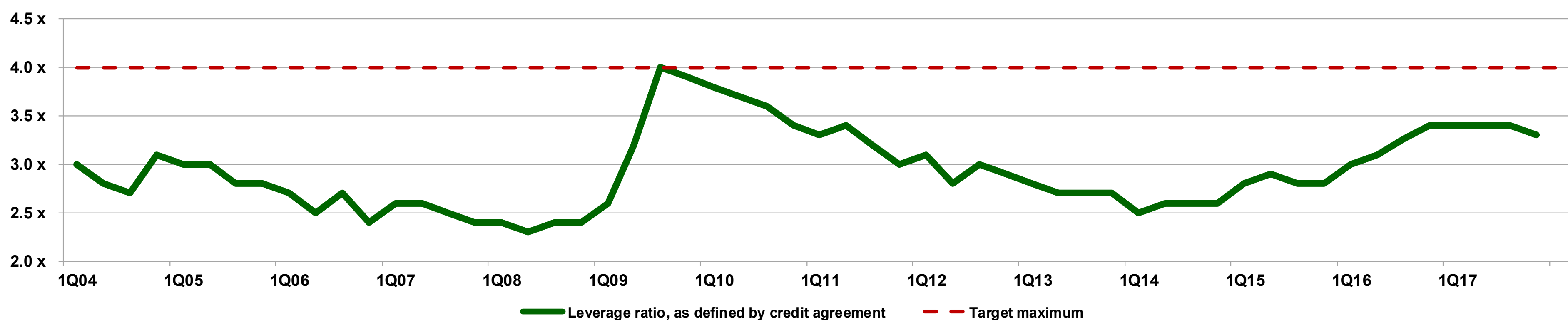
Limited Equity Issuance Contributes to Growth

- Magellan has limited its dependence on public equity markets
  - Despite ~$5.4 bn of expansion capital spending over last 10 years, Magellan has issued only $260mm of equity (about 5% of total spending) over that time period
  - Overall financing sources were approximately 2/3 debt
    - ➢ Leverage ratio increased from 2.4x to 3.3x, as growing EBITDA largely offset use of debt financing
  - Significant coverage provided nearly $1.7 bn in reinvested excess cash flow during period, ~$700mm in the last three years alone
- Will issue equity if necessary to manage leverage or pursue the right opportunity, but disciplined approach designed to preserve shareholder value



Credit Profile Remains Strong

- Long-standing target maximum leverage ratio of 4x
  - Consistent with rating agencies' expectations at current ratings
- Leverage will increase moderately to ~3.8x in 2018 as organic growth projects financed primarily with debt
  - $750mm equity at-the-market program available if needed to manage leverage if we approach 4x limit



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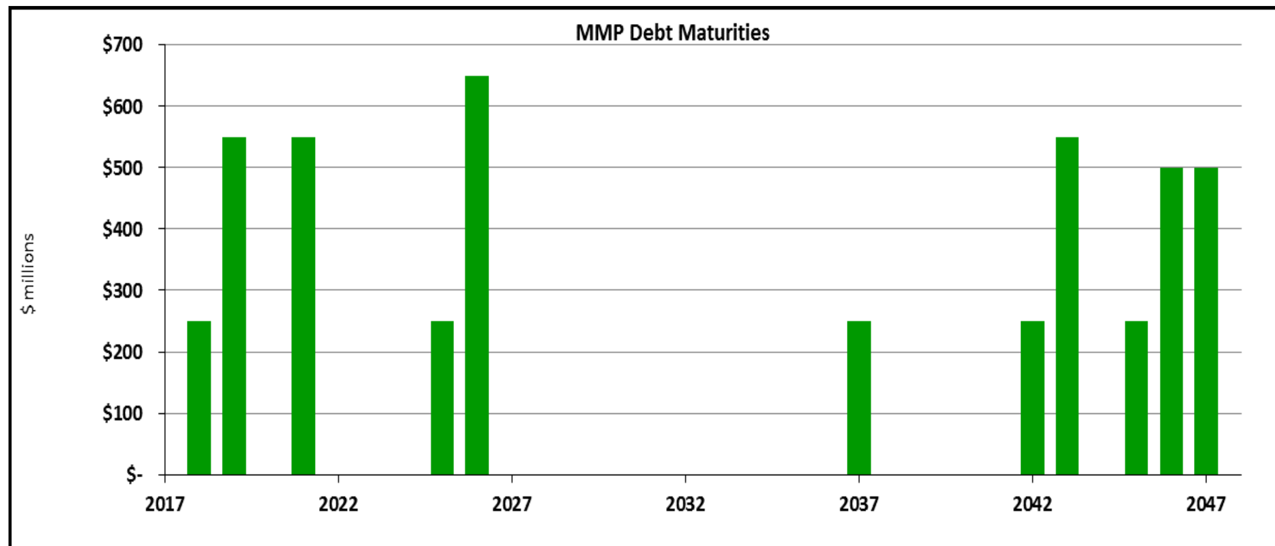
Low Fixed Rates on Lengthening Debt Portfolio

- Average maturity of debt has extended to 15 years
- Despite long-dated portfolio, average coupon remains low at ~4.8%
- Currently 100% fixed; floating rate (including commercial paper) available for refinancing and new debt
- Allows for flexibility to adapt to credit markets through cycles

$in millions

	Amount	Coupon	Effective Rate*
2018	250	6.4%	5.3%
2019	550	6.6%	5.7%
2021	550	4.3%	4.0%
2025	250	3.2%	3.2%
2026	650	5.0%	5.0%
2037	250	6.4%	6.4%
2042	250	4.2%	4.2%
2043	550	5.2%	5.2%
2045	250	4.2%	5.4%
2046	500	4.3%	4.3%
2047	500	4.2%	4.2%
	4,550	4.9%	4.8%

** Includes impact of hedges/premiums/discounts*



Capacity to Confidently Fund Growth

- $1 billion available on CP program or revolver
- ~$165 million in projected excess cash flow for 2018
- Debt-to-EBITDA ratio remains moderate, allowing for further debt financing
- Debt and bank markets very receptive to Magellan credit
- Equity and preferred markets offer additional capital sources if significant new opportunities emerge
- Capacity naturally expands with cash flow growth and lower investment multiple opportunities

$ in millions	2018 Guidance	Hypothetical Deal Flow @ 9x Multiple	Proforma 2018
2018 Pro Forma EBITDA	**$ 1,355**	**$ 72**	**$ 1,427**
12/31/2017 Net Debt	$ 4,380	$ -	$ 4,380
Expansion capital spending	900	650	1,550
Excess Cash Flow *	(165)	-	(165)
12/31/18 Debt	**$ 5,115**	**$ 650**	**$ 5,765**
Debt to Ebitda	**3.8**		**4.0**

*Based on distributions declared versus paid

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Attractive Cost of Capital

- Still believe yield + growth provides best estimate of equity cost of capital

Estimating Equity Cost of Capital

Yield	Distribution Growth Short-term	Distribution Growth Long-term	**Equity Cost of Capital***
6.0%	5-8%	3-5%	**9.5-11.5%**

* Using CAGR derived from short- and long-term growth rates

- Additional adjustments to cost of capital made as necessary to reflect relative risk of project / target compared to that of existing business
- Maintaining a lower cost of capital provides us the opportunity to create value for unitholders….not to simply “pay more”
- Also positions us well to continue pursuing an organic approach to growth

Estimating Debt Cost of Capital

	ST 10 Year	LT 30 Year
Treasury Rate	2.8%	3.1%
MMP Credit Spread*	1.2%	1.5%
Total Rate	4.0%	4.6%

*Based on recent bank quotes and debt issuances

Estimating Total Cost of Capital

	Weight*	ST	LT
Equity	55%	10.5%	10.5%
Debt	45%	4.0%	4.6%
WACC		**7.6%**	**7.8%**

*9x Ebitda Deal, 4X max leverage results in 45% max leverage

Summary

- Our financial policy provides stability, supports growth and ensures flexibility as we seek to increase the value of our company

- A key differentiator for Magellan is our approach to financing our business and managing risk
  - Patience in seeking opportunities
  - Capacity to handle any bumps along the way
  - Foundation for adding future value
  - Can approach the market confidently from a position of strength

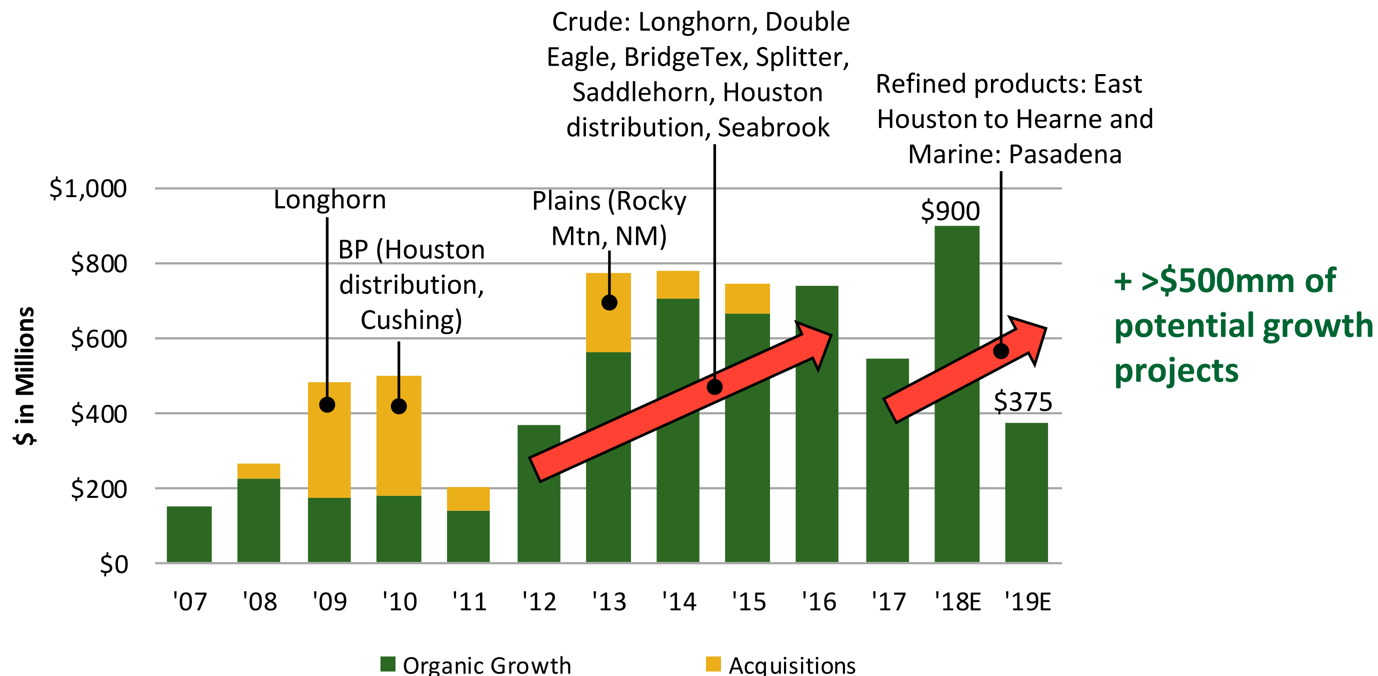
Questions

Potential Growth, Closing Remarks

Mike Mears
Chairman, President and Chief Executive Officer

Growth in Expansion Capital Spending

- Over the last 10 years, Magellan has invested $5.4 billion in organic growth projects and acquisitions
  - We have historically made a few strategic acquisitions that served as platforms for future growth
  - Organic growth projects have increased dramatically in recent years, primarily related to the development of our crude oil segment
- Expect to spend $1.3 billion in 2018-2019 on construction projects currently underway, primarily related to our refined products and marine segments



+ >$500mm of potential growth projects

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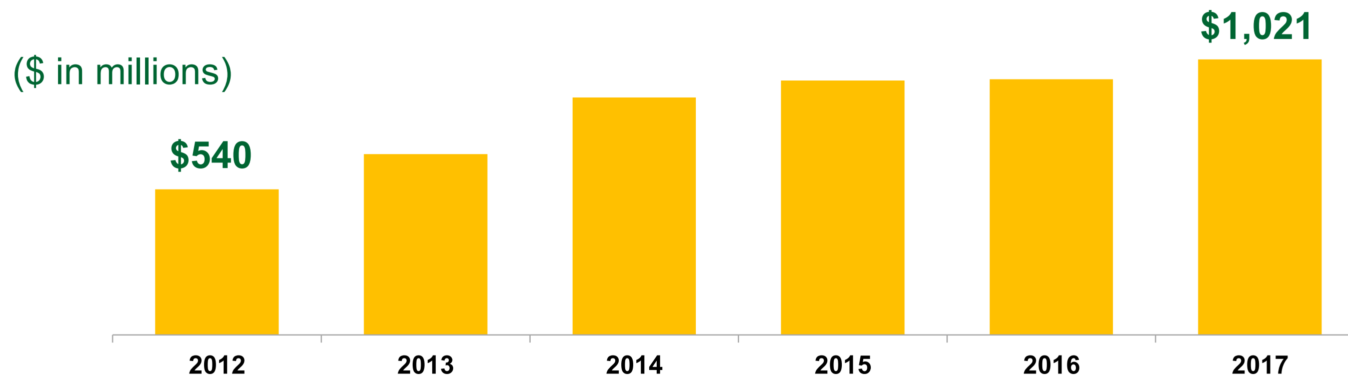
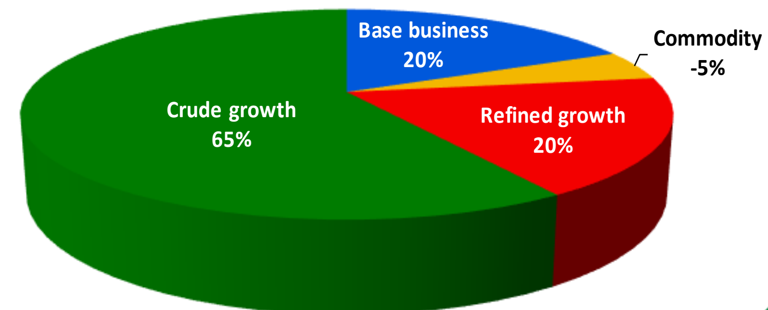
Distributable Cash Flow Growth over Last 5 Years

- Magellan's distributable cash flow almost doubled from 2012 to 2017, with first-time DCF in excess of $1 billion generated in '17
- 5-year DCF growth primarily attributable to contributions from expansion projects as MMP developed its crude oil strategy
- Record DCF guidance of $1.05 billion for 2018 due to benefit from recent expansion projects, partially offset by lower expected rates upon re-contracting Longhorn



Sources of growth: 2012 - 2017

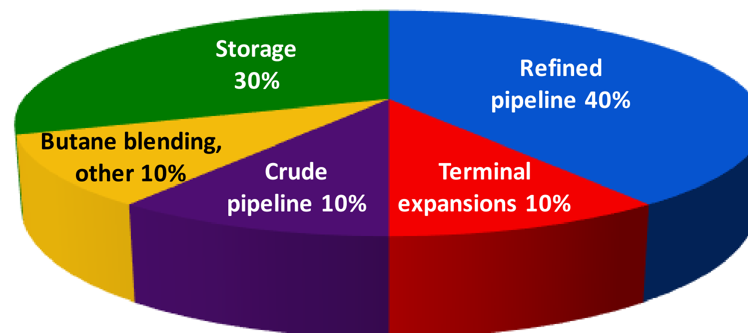


Potential Expansion Projects

- Magellan has continually been able to keep its potential growth project list well in excess of $500mm even as projects are completed and placed into service
  - Healthy mix of refined products and crude oil opportunities
  - Stated goal to increase marine infrastructure capabilities, including further expansion of Pasadena marine terminal and Seabrook Logistics joint ventures
  - Considering additional refined products and crude oil pipeline opportunities, including further expansion of Texas refined products system and increased take-away capacity from Permian Basin
  - Targeting 6-8x EBITDA multiple but will consider higher multiples for strategic value creation

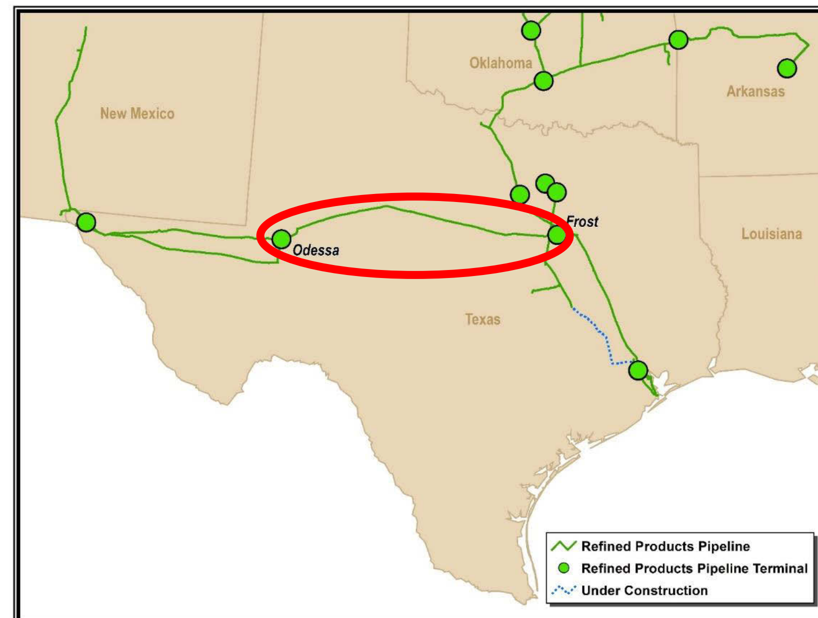
Type of opportunities under consideration

(based on highest-probability projects)



Potential West TX Refined Products Pipeline Expansion

- Proposed expansion of western leg of Texas refined products pipeline system from current 100k bpd to 140k bpd
- Interest driven by demand growth in West Texas as well as optionality to access markets in the states of New Mexico and Arizona and international markets in Mexico
- Binding open season underway thru May 9 to assess customer interest
- Pending open season results, could be operational mid-2020 at a cost of ~$300mm+



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Potential Corpus Christi Expansion

- 100 acres of undeveloped land in Corpus Christi with waterfront access
- Ideal landing spot for crude oil / condensate coming from the Permian Basin
- Space available for up to 10mm bbls of storage and 4 private docks with 550k bpd capacity
  - Permitting already underway, expected second half of '18
- Full buildout estimated to cost ~$700mm and could be operational in phases as early as 2020

How We Think about M&A

- Potential acquisitions always under review
  - Primarily interested in fee-based activities
  - Would consider assets outside of refined products and crude oil space that fit our conservative business model (such as natural gas, NGLs)
  - Price and risk profile remain key considerations

- Industry consolidation
  - Large-scale transactions not occurring at the rate some anticipated
  - MLPs with strong balance sheets, like Magellan, reluctant to diversify into higher-risk businesses
  - While MMP analyzes corporate-level M&A on a regular basis, difficult to make math work due to inherent growth we believe Magellan continues to offer and potential increase in risk profile

➢ Magellan committed to maintaining its disciplined approach for future growth

Keys to Magellan's Proven and Future Track Record

- Stability of underlying businesses
- Continuing to grow fee-based activities, managing for the long term through various business cycles
- Disciplined and opportunistic investments, focused on risk-adjusted value creation
- Consistent and disciplined financial policy

Non-GAAP Reconciliations

Distributable Cash Flow Reconciliation to Net Income

($ in millions)

	2012	2013	2014	2015	2016	2017	2018E
Net income	$ 436	$ 582	$ 840	$ 819	$ 803	$ 870	$ 915
Interest expense, net	114	118	121	143	165	194	219
Depreciation and amortization	128	142	162	167	178	197	208
Equity-based incentive compensation [1]	8	12	12	6	5	7	13
Asset retirements and impairments	12	8	7	8	11	(5)	10
Commodity-related adjustments [2]	13	-	(56)	14	64	12	(35)
Other	5	-	(9)	15	(13)	28	25
Adjusted EBITDA	716	862	1,077	1,172	1,213	1,303	1,355
Interest expense, net, excl. debt cost amortiz.	(112)	(116)	(119)	(140)	(162)	(191)	(215)
Maintenance capital	(64)	(76)	(78)	(89)	(104)	(91)	(90)
Distributable cash flow	$ 540	$ 670	$ 880	$ 943	$ 947	$ 1,021	$ 1,050

[1] Excludes cash payments associated with settlement of equity-based incentive awards, which are primarily tax withholdings.

[2] Normalizes distributable cash flow for out-of-period mark-to-market timing differences on our commodity-related activities that have been hedged with futures contracts to reflect only transactions that settled during the period.

Operating Margin Reconciliation to Operating Profit

($ in millions)

	2015	2016	2017	2018E
Refined Products	$ 793	$ 792	$ 837	$ 851
Crude Oil	382	408	468	515
Marine Storage	120	125	119	132
Allocated depreciation costs	4	5	5	5
Segment Operating Margin [1]	$ 1,299	$ 1,330	$ 1,429	$ 1,503
Total commodity-related adjustments [1]	(14)	(64)	(12)	35
Other	(1)	(4)	(2)	-
Total Operating Margin	$ 1,284	$ 1,262	$ 1,415	$ 1,538
Depreciation and amortization	(167)	(178)	(197)	(208)
General & administrative expense	(150)	(147)	(166)	(180)
Total Operating Profit	$ 967	$ 937	$ 1,052	$ 1,150

[1] Commodity-related adjustments have been included in operating margin for comparability between periods. These adjustments normalize for out-of-period mark-to-market timing differences on our commodity-related activities that have been hedged with futures contracts to reflect only transactions that settled during the period.