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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
Transportation and terminals revenue	$ 410,387	$ 413,433	$ 1,149,100	$ 1,175,748
Product sales revenue	172,731	133,356	455,827	403,607
Affiliate management fee revenue	3,557	4,993	10,478	11,140
Total revenue	586,675	551,782	1,615,405	1,590,495
Costs and expenses:				
Operating	147,349	135,286	396,374	392,681
Cost of product sales	85,522	118,242	316,208	327,530
Depreciation and amortization	42,043	47,081	124,180	134,137
General and administrative	37,612	35,800	111,052	111,216
Total costs and expenses	312,526	336,409	947,814	965,564
Earnings of non-controlled entities	15,521	18,576	49,653	51,543
Operating profit	289,670	233,949	717,244	676,474
Interest expense	40,419	50,163	118,009	142,573
Interest income	(310)	(302)	(993)	(1,067)
Interest capitalized	(3,984)	(7,877)	(9,037)	(21,143)
Gain on exchange of interest in non-controlled entity	—	—	—	(28,144)
Other (income) expense	1,706	(3,324)	(4,554)	(7,519)
Income before provision for income taxes	251,839	195,289	613,819	591,774
Provision for income taxes	867	738	1,820	2,294
Net income	$ 250,972	$ 194,551	$ 611,999	$ 589,480
Basic net income per limited partner unit	$ 1.10	$ 0.85	$ 2.69	$ 2.59
Diluted net income per limited partner unit	$ 1.10	$ 0.85	$ 2.69	$ 2.59
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,580	227,960	227,540	227,913
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,945	227,999	227,702	227,947

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
Refined products:				
Transportation revenue per barrel shipped	$ 1.476	$ 1.503	$ 1.417	$ 1.451
Volume shipped (million barrels):				
Gasoline	73.9	72.7	203.3	204.9
Distillates	38.8	37.3	112.0	110.0
Aviation fuel	5.6	7.2	16.1	19.6
Liquefied petroleum gases	3.5	4.1	9.3	9.9
Total volume shipped	121.8	121.3	340.7	344.4
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	$ 1.148	$ 1.189	$ 1.104	$ 1.325
Volume shipped (million barrels)	53.6	50.7	157.4	139.5
Crude oil terminal average utilization (million barrels per month)	13.5	14.8	13.0	14.7
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) (1)	18.5	20.6	57.2	58.7
Marine storage:				
Marine terminal average utilization (million barrels per month)	24.3	24.3	24.1	23.6

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 50% by Magellan.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
Refined products:				
Transportation and terminals revenue	$ 264,156	$ 267,339	$ 723,156	$ 739,931
Affiliate management fee revenue	—	218	—	422
Less:				
Operating expenses	108,972	95,776	288,265	280,261
Losses of non-controlled entities	48	272	146	352
Transportation and terminals margin	155,136	171,509	434,745	459,740
Product sales revenue	171,775	105,834	453,737	372,061
Less: Cost of product sales	85,341	93,761	315,301	300,009
Product margin	86,434	12,073	138,436	72,052
Operating margin	$ 241,570	$ 183,582	$ 573,181	$ 531,792
Crude oil:				
Transportation and terminals revenue	$ 101,122	$ 100,113	$ 294,023	$ 303,181
Affiliate management fee revenue	3,211	4,416	9,449	9,686
Earnings of non-controlled entities	14,906	18,180	47,735	49,870
Less: Operating expenses	24,572	24,628	65,032	66,370
Transportation and terminals margin	94,667	98,081	286,175	296,367
Product sales revenue	—	24,750	—	26,465
Less: Cost of product sales	—	24,108	—	26,469
Product margin	—	642	—	(4)
Operating margin	$ 94,667	$ 98,723	$ 286,175	$ 296,363
Marine storage:				
Transportation and terminals revenue	$ 45,109	$ 46,182	$ 131,921	$ 132,837
Affiliate management fee revenue	346	359	1,029	1,032
Earnings of non-controlled entities	663	668	2,064	2,025
Less: Operating expenses	14,700	16,374	45,916	49,897
Transportation and terminals margin	31,418	30,835	89,098	85,997
Product sales revenue	956	2,772	2,090	5,081
Less: Cost of product sales	181	373	907	1,052
Product margin	775	2,399	1,183	4,029
Operating margin	$ 32,193	$ 33,234	$ 90,281	$ 90,026
Segment operating margin	$ 368,430	$ 315,539	$ 949,637	$ 918,181
Add: Allocated corporate depreciation costs	895	1,291	2,839	3,646
Total operating margin	369,325	316,830	952,476	921,827
Less:				
Depreciation and amortization expense	42,043	47,081	124,180	134,137
General and administrative expense	37,612	35,800	111,052	111,216
Total operating profit	$ 289,670	$ 233,949	$ 717,244	$ 676,474

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

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 September 30, 2016		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 194,551	$ 0.85	$ 0.85
Unrealized derivative (gains) losses associated with future physical product sales	12,272	0.06	0.06
Excluding commodity-related adjustments*	$ 206,823	$ 0.91	$ 0.91
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,960		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,999		

* 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 September 30,		Nine Months Ended September 30,		2016
	2015	2016	2015	2016	Guidance
Net income	$ 250,972	$ 194,551	$ 611,999	$ 589,480	$ 798,000
Interest expense, net[(1)]	36,125	41,984	107,979	120,363	166,000
Depreciation and amortization	42,043	47,081	124,180	134,137	180,000
Equity-based incentive compensation [(2)]	4,687	4,677	(2,558)	360	5,000
Loss on sale and retirement of assets	2,294	2,134	4,378	5,397	9,000
Gain on exchange of interest in non-controlled entity[(3)]	—	—	—	(28,144)	(28,000)
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions [(5)]	(54,958)	12,272	(54,182)	10,071	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period [(5)]	(315)	5,871	96,084	38,642	
Lower-of-cost-or-market adjustments [(6)]	488	(1,083)	(38,676)	(2,798)	
Total commodity-related adjustments	(54,785)	17,060	3,226	45,915	43,000
Cash distributions received from non-controlled entities in excess of (less than) earnings for the period	9,814	2,948	7,540	3,003	15,000
Other[(4)]	—	1,315	—	3,891	5,000
Adjusted EBITDA	291,150	311,750	856,744	874,402	1,193,000
Interest expense, net, excluding debt issuance cost amortization[(1)]	(35,485)	(41,171)	(106,112)	(118,029)	(163,000)
Maintenance capital [(7)]	(25,661)	(26,657)	(64,675)	(86,103)	(105,000)
Distributable cash flow	$ 230,004	$ 243,922	$ 685,957	$ 670,270	$ 925,000

(1) In 2015, the partnership adopted Accounting Standards Update No. 2015-03, Interest: *Simplifying the Presentation of Debt Issuance Costs*. Under this new accounting standard, debt issuance cost amortization expense has been reclassified as interest expense. For the purposes of calculating DCF, the partnership has excluded debt issuance cost amortization from interest expense of $0.7 million and $1.9 million for the three and nine months ended September 30, 2015 and $0.8 million and $2.3 million for the three and nine months ended September 30, 2016.

(2) Because the partnership intends to satisfy vesting of units under its equity-based incentive compensation program with the issuance of limited partner units, expenses related to this program generally are deemed non-cash and added back for DCF purposes. Total equity-based incentive compensation expense for the nine months ended September 30, 2015 and 2016 was $15.2 million and $14.7 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2015 and 2016 of $17.8 million and $14.4 million, respectively, for equity-based incentive compensation units that vested on the previous year end, which reduce DCF.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.