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

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Transportation and terminals revenue | $ 446,935 | $ 488,775 | $ 1,272,845 | $ 1,392,960 |
| Product sales revenue | 121,010 | 144,403 | 548,634 | 552,792 |
| Affiliate management fee revenue | 4,903 | 4,842 | 12,883 | 15,138 |
| Total revenue | 572,848 | 638,020 | 1,834,362 | 1,960,890 |
| Costs and expenses: | | | | |
| Operating | 165,368 | 172,115 | 442,254 | 475,256 |
| Cost of product sales | 121,819 | 120,510 | 440,670 | 473,781 |
| Depreciation and amortization | 49,909 | 56,228 | 146,103 | 161,726 |
| General and administrative | 37,202 | 47,389 | 120,876 | 147,235 |
| Total costs and expenses | 374,298 | 396,242 | 1,149,903 | 1,257,998 |
| Earnings of non-controlled entities | 31,151 | 53,795 | 78,173 | 130,843 |
| Operating profit | 229,701 | 295,573 | 762,632 | 833,735 |
| Interest expense | 51,895 | 55,133 | 154,653 | 168,535 |
| Interest capitalized | (3,424) | (3,099) | (10,804) | (13,354) |
| Interest income | (240) | (501) | (788) | (1,460) |
| Gain on sale of asset | (18,505) | (353,797) | (18,505) | (353,797) |
| Other expense | 549 | 1,694 | 3,762 | 10,299 |
| Income before provision for income taxes | 199,426 | 596,143 | 634,314 | 1,023,512 |
| Provision for income taxes | 926 | 1,609 | 2,678 | 3,659 |
| Net income | $ 198,500 | $ 594,534 | $ 631,636 | $ 1,019,853 |
| Basic net income per limited partner unit | $ 0.87 | $ 2.60 | $ 2.77 | $ 4.47 |
| Diluted net income per limited partner unit | $ 0.87 | $ 2.60 | $ 2.77 | $ 4.46 |
| Weighted average number of limited partner units outstanding used for basic net income per unit calculation | 228,199 | 228,397 | 228,167 | 228,368 |
| Weighted average number of limited partner units outstanding used for diluted net income per unit calculation | 228,260 | 228,449 | 228,222 | 228,412 |

**MAGELLAN MIDSTREAM PARTNERS, L.P.**
**OPERATING STATISTICS**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2018** | **2017** | **2018** |
| **Refined products:** | | | | |
| Transportation revenue per barrel shipped | $ 1.521 | $ 1.600 | $ 1.489 | $ 1.524 |
| Volume shipped (million barrels): | | | | |
| Gasoline | 75.8 | 73.4 | 218.7 | 219.0 |
| Distillates | 41.0 | 45.6 | 119.6 | 132.7 |
| Aviation fuel | 6.7 | 8.1 | 20.2 | 21.3 |
| Liquefied petroleum gases | 3.9 | 4.4 | 9.6 | 10.4 |
| Total volume shipped | 127.4 | 131.5 | 368.1 | 383.4 |
| **Crude oil:** | | | | |
| Magellan 100%-owned assets: | | | | |
| Transportation revenue per barrel shipped | $ 1.332 | $ 1.266 | $ 1.412 | $ 1.325 |
| Volume shipped (million barrels) | 48.4 | 62.8 | 137.0 | 168.4 |
| Crude oil terminal average utilization (million barrels per month) | 14.9 | 16.0 | 15.5 | 16.1 |
| Select joint venture pipelines: | | | | |
| BridgeTex - volume shipped (million barrels)(1) | 25.7 | 36.5 | 66.4 | 100.0 |
| Saddlehorn - volume shipped (million barrels)(2) | 4.4 | 6.7 | 12.1 | 18.5 |
| **Marine storage:** | | | | |
| Marine terminal average utilization (million barrels per month) | 22.5 | 22.6 | 23.4 | 22.6 |

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which was owned 50% by Magellan through September 28, 2018 and 30% thereafter.
(2) These volumes reflect the total shipments for the Saddlehorn pipeline, which is owned 40% 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, | |
|---|---|---|---|---|
| | **2017** | **2018** | **2017** | **2018** |
| **Refined products:** | | | | |
| Transportation and terminals revenue | $ 289,030 | $ 300,034 | $ 808,818 | $ 851,492 |
| Affiliate management fee revenue | 353 | 351 | 1,035 | 1,000 |
| Earnings (losses) of non-controlled entities | (700) | 3,393 | (167) | 5,614 |
| Less: Operating expenses | 118,665 | 112,279 | 312,911 | 319,670 |
| Transportation and terminals margin | 170,018 | 191,499 | 496,775 | 538,436 |
| Product sales revenue | 107,175 | 129,926 | 509,068 | 513,634 |
| Less: Cost of product sales | 103,391 | 106,756 | 396,292 | 434,632 |
| Product margin | 3,784 | 23,170 | 112,776 | 79,002 |
| Operating margin | $ 173,802 | $ 214,669 | $ 609,551 | $ 617,438 |
| **Crude oil:** | | | | |
| Transportation and terminals revenue | $ 116,305 | $ 145,118 | $ 329,813 | $ 409,329 |
| Affiliate management fee revenue | 3,703 | 3,463 | 10,311 | 11,328 |
| Earnings of non-controlled entities | 31,244 | 49,420 | 76,388 | 122,879 |
| Less: Operating expenses | 31,163 | 45,195 | 89,991 | 109,963 |
| Transportation and terminals margin | 120,089 | 152,806 | 326,521 | 433,573 |
| Product sales revenue | 12,370 | 12,666 | 34,876 | 32,387 |
| Less: Cost of product sales | 16,630 | 11,590 | 37,814 | 32,401 |
| Product margin | (4,260) | 1,076 | (2,938) | (14) |
| Operating margin | $ 115,829 | $ 153,882 | $ 323,583 | $ 433,559 |
| **Marine storage:** | | | | |
| Transportation and terminals revenue | $ 42,501 | $ 44,546 | $ 136,702 | $ 134,892 |
| Affiliate management fee revenue | 847 | 1,028 | 1,537 | 2,810 |
| Earnings of non-controlled entities | 607 | 982 | 1,952 | 2,350 |
| Less: Operating expenses | 17,723 | 17,178 | 45,753 | 52,835 |
| Transportation and terminals margin | 26,232 | 29,378 | 94,438 | 87,217 |
| Product sales revenue | 1,465 | 1,811 | 4,690 | 6,771 |
| Less: Cost of product sales | 1,798 | 2,164 | 6,564 | 6,748 |
| Product margin | (333) | (353) | (1,874) | 23 |
| Operating margin | $ 25,899 | $ 29,025 | $ 92,564 | $ 87,240 |
| Segment operating margin | $ 315,530 | $ 397,576 | $ 1,025,698 | $ 1,138,237 |
| Add: Allocated corporate depreciation costs | 1,282 | 1,614 | 3,913 | 4,459 |
| Total operating margin | 316,812 | 399,190 | 1,029,611 | 1,142,696 |
| Less: | | | | |
| Depreciation and amortization expense | 49,909 | 56,228 | 146,103 | 161,726 |
| General and administrative expense | 37,202 | 47,389 | 120,876 | 147,235 |
| Total operating profit | $ 229,701 | $ 295,573 | $ 762,632 | $ 833,735 |

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

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

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | Net Income | Basic Net Income Per Limited Partner Unit | Diluted Net Income Per Limited Partner Unit |
| **As reported** | $ 594,534 | $ 2.60 | $ 2.60 |
| Unrealized derivative losses associated with future physical product sales[1] | 9,770 | | |
| Inventory valuation adjustments associated with future physical product transactions | 1,907 | | |
| Excluding commodity-related adjustments[2] | $ 606,211 | $ 2.65 | $ 2.65 |
| | | | |
| Weighted average number of limited partner units outstanding used for basic net income per unit calculation | 228,397 | | |
| Weighted average number of limited partner units outstanding used for diluted net income per unit calculation | 228,449 | | |

(1) Includes our net share of unrealized derivative gains and losses from the partnership's non-controlled entities.

(2) Please see Distributable Cash Flow Reconciliation to Net Income for further descriptions of 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, | | 2018 |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2017** | **2018** | **Guidance** |
| **Net income** | $ 198,500 | $ 594,534 | $ 631,636 | $ 1,019,853 | $ 1,302,000 |
| Interest expense, net | 48,231 | 51,533 | 143,061 | 153,721 | 202,000 |
| Depreciation and amortization | 49,909 | 56,228 | 146,103 | 161,726 | 217,000 |
| Equity-based incentive compensation(1) | 3,466 | 7,933 | 308 | 15,327 | 23,000 |
| Loss on sale and retirement of assets | 2,250 | 1,670 | 7,581 | 6,256 | 10,000 |
| Gain on sale of asset(2) | (18,505) | (351,215) | (18,505) | (351,215) | (351,000) |
| Commodity-related adjustments: | | | | | |
| Derivative losses recognized in the period associated with future product transactions(3) | 16,797 | 13,017 | 13,518 | 33,945 | |
| Derivative gains (losses) recognized in previous periods associated with product sales completed in the period(3) | 4,033 | (14,993) | (25,493) | (38,894) | |
| Inventory valuation adjustments(4) | (875) | 456 | 4,048 | 196 | |
| Total commodity-related adjustments | 19,955 | (1,520) | (7,927) | (4,753) | (22,000) |
| Distributions from operations of non-controlled entities in excess of (less than) earnings | 8,635 | (506) | 19,519 | 17,107 | 25,000 |
| Other(5) | 849 | — | 3,749 | 3,644 | 4,000 |
| **Adjusted EBITDA** | 313,290 | 358,657 | 925,525 | 1,021,666 | 1,410,000 |
| Interest expense, net, excluding debt issuance cost amortization | (47,403) | (50,741) | (140,579) | (151,255) | (200,000) |
| Maintenance capital(6) | (30,737) | (26,143) | (71,832) | (63,103) | (90,000) |
| **Distributable cash flow** | $ 235,150 | $ 281,773 | $ 713,114 | $ 807,308 | $ 1,120,000 |

(1) Because the partnership intends to satisfy vesting of unit awards 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. The equity-based compensation adjustment for the nine months ended September 30, 2017 and 2018 was $14.2 million and $24.6 million, respectively. However, the figures above include adjustments of $13.9 million and $9.3 million, respectively, for cash payments associated with the equity-based incentive compensation plan, which primarily include tax withholdings.

(2) In September 2018, the partnership recognized a $353.8 million gain from the sale of a portion of its interest in BridgeTex Pipeline Company, LLC, of which $351.2 million has been deducted from the calculation of DCF, as it is not related to the partnership's ongoing operations. The remaining $2.6 million represents a purchase price adjustment related to September operations, and as such is included in DCF.

In September 2017, the partnership recognized an $18.5 million gain in connection with the sale of an inactive terminal along the partnership's refined products pipeline system, which has been deducted from the calculation of DCF because it is not related to the partnership's ongoing operations.

(3) Certain derivatives used by the partnership 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 net income. The partnership excludes the net impact of these hedges from its determination of DCF until the related products are physically sold. In the period in which these hedged products are physically sold, the net impact of the associated hedges is included in its determination of DCF.

(4) The partnership adjusts DCF for lower of average cost or net realizable value adjustments related to inventory and firm purchase commitments as well as market valuation of short positions recognized each period as these are non-cash items. In subsequent periods when the partnership physically sells or purchases the related products, it adjusts DCF for the valuation adjustments previously recognized.

(5) Other adjustments in 2018 include a $3.6 million one-time adjustment recorded to partners' capital as required by the partnership's adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. The amount represents cash that the partnership had previously received for deficiency payments but did not yet recognize in net income under the previous revenue recognition standard. Other adjustments in 2017 include payments received from HollyFrontier Corporation in conjunction with the February 2016 Osage Pipe Line Company, LLC ("Osage") exchange transaction. These payments replaced distributions the partnership would have received had the Osage transaction not occurred and are, therefore, included in the partnership's calculation of DCF.

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