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

	Three Months Ended March 31,	
	2015	2016
Transportation and terminals revenue	$ 353,812	$ 370,075
Product sales revenue	173,127	146,562
Affiliate management fee revenue	3,363	3,179
Total revenue	530,302	519,816
Costs and expenses:		
Operating	106,707	123,233
Cost of product sales	136,179	113,585
Depreciation and amortization	41,697	43,754
General and administrative	35,498	40,874
Total costs and expenses	320,081	321,446
Earnings of non-controlled entities	9,590	17,628
Operating profit	219,811	215,998
Interest expense	37,194	43,724
Interest income	(349)	(361)
Interest capitalized	(2,107)	(6,136)
Gain on exchange of interest in non-controlled entity	—	(26,900)
Other expense (income)	279	(2,270)
Income before provision for income taxes	184,794	207,941
Provision for income taxes	1,158	871
Net income	$ 183,636	$ 207,070
Basic net income per limited partner unit	$ 0.81	$ 0.91
Diluted net income per limited partner unit	$ 0.81	$ 0.91
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,525	227,826
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,525	227,849

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Refined products:		
Transportation revenue per barrel shipped	$ 1.369	$ 1.416
Volume shipped (million barrels):		
Gasoline	62.2	61.1
Distillates	36.9	36.3
Aviation fuel	5.2	5.5
Liquefied petroleum gases	1.0	1.6
Total volume shipped	105.3	104.5
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped	$ 1.112	$ 1.447
Volume shipped (million barrels)	50.0	43.7
Crude oil terminal average utilization (million barrels per month)	12.6	14.4
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels) (1)	15.0	18.8
Marine storage:		
Marine terminal average utilization (million barrels per month)	23.6	23.5

(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 March 31, 2015	Three Months Ended March 31, 2016
Refined products:		
Transportation and terminals revenue	$ 220,683	$ 224,750
Affiliate management fee revenue	—	80
Less:		
Operating expenses	74,212	85,985
Losses of non-controlled entities	55	42
Transportation and terminals margin	146,416	138,803
Product sales revenue	172,639	143,916
Less: Cost of product sales	135,634	111,856
Product margin	37,005	32,060
Operating margin	$ 183,421	$ 170,863
Crude oil:		
Transportation and terminals revenue	$ 90,866	$ 101,728
Affiliate management fee revenue	3,027	2,784
Earnings of non-controlled entities	8,924	16,979
Less: Operating expenses	18,167	21,192
Transportation and terminals margin	84,650	100,299
Product sales revenue	—	1,743
Less: Cost of product sales	—	1,345
Product margin	—	398
Operating margin	$ 84,650	$ 100,697
Marine storage:		
Transportation and terminals revenue	$ 42,263	$ 43,597
Affiliate management fee revenue	336	315
Earnings of non-controlled entities	721	691
Less: Operating expenses	15,335	17,248
Transportation and terminals margin	27,985	27,355
Product sales revenue	488	903
Less: Cost of product sales	545	384
Product margin	(57)	519
Operating margin	$ 27,928	$ 27,874
Segment operating margin	$ 295,999	$ 299,434
Add: Allocated corporate depreciation costs	1,007	1,192
Total operating margin	297,006	300,626
Less:		
Depreciation and amortization expense	41,697	43,754
General and administrative expense	35,498	40,874
Total operating profit	$ 219,811	$ 215,998

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 PRICING AND LOWER-OF-COST-OR-MARKET INVENTORY ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

	Three Months Ended March 31, 2016		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 207,070	$ 0.91	$ 0.91
Unrealized derivative gains associated with future physical product sales	(7,954)	(0.04)	(0.04)
Excluding commodity-related adjustments*	$ 199,116	$ 0.87	$ 0.87
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,826		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,849		

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

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016	2016 Guidance
Net income	$ 183,636	$ 207,070	$ 768,000
Interest expense, net[1]	34,738	37,227	169,000
Depreciation and amortization	41,697	43,754	180,000
Equity-based incentive compensation [2]	(13,033)	(7,726)	6,000
Loss on sale and retirement of assets	(3)	2,259	8,000
Gain on exchange of interest in non-controlled entity[3]	—	(26,900)	(27,000)
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future product transactions [4]	4,537	(7,954)	
Derivative gains recognized in previous periods associated with product sales completed in the period [4]	56,400	21,701	
Lower-of-cost-or-market adjustments [5]	(29,062)	(1,715)	
Total commodity-related adjustments	31,875	12,032	42,000
Cash distributions received from non-controlled entities in excess of earnings for the period	4,866	2,416	20,000
Adjusted EBITDA	283,776	270,132	1,166,000
Interest expense, net, excluding debt issuance cost amortization[1]	(34,151)	(36,513)	(166,000)
Maintenance capital [6]	(16,501)	(28,282)	(90,000)
Distributable cash flow	$ 233,124	$ 205,337	$ 910,000
Distributable cash flow per limited partner unit receiving distributions related to this period	$ 1.03	$ 0.90	$ 4.00
Weighted average number of limited partner units receiving distributions related to this period	227,426	227,784	227,784

(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. The partnership has added back debt issuance cost amortization expense included in interest expense of $0.6 million and $0.7 million for purposes of calculating DCF for the three months ended March 31, 2015 and 2016, respectively.

(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 three months ended March 31, 2015 and 2016 was $4.8 million and $6.7 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 to an affiliate of HollyFrontier Corporation. In conjunction with this transaction, the partnership entered into several commercial agreements with affiliates of HollyFrontier Corporation, which were recorded as intangible assets and other receivables in its consolidated balance sheets. The partnership recorded a $26.9 million non-cash gain in relation to this transaction.

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

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

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