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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2016**	**2015**	**2016**
Transportation and terminals revenue	$ 384,901	$ 392,240	$ 738,713	$ 762,315
Product sales revenue	109,969	123,689	283,096	270,251
Affiliate management fee revenue	3,558	2,968	6,921	6,147
Total revenue	498,428	518,897	1,028,730	1,038,713
Costs and expenses:				
Operating	142,318	134,162	249,025	257,395
Cost of product sales	94,507	95,703	230,686	209,288
Depreciation and amortization	40,440	43,302	82,137	87,056
General and administrative	37,942	34,542	73,440	75,416
Total costs and expenses	315,207	307,709	635,288	629,155
Earnings of non-controlled entities	24,542	15,339	34,132	32,967
Operating profit	207,763	226,527	427,574	442,525
Interest expense	40,396	48,686	77,590	92,410
Interest income	(334)	(404)	(683)	(765)
Interest capitalized	(2,946)	(7,130)	(5,053)	(13,266)
Gain on exchange of interest in non-controlled entity	—	(1,244)	—	(28,144)
Other income	(6,539)	(1,925)	(6,260)	(4,195)
Income before provision for income taxes	177,186	188,544	361,980	396,485
Provision for income taxes	(205)	685	953	1,556
Net income	$ 177,391	$ 187,859	$ 361,027	$ 394,929
Basic net income per limited partner unit	$ 0.78	$ 0.82	$ 1.59	$ 1.73
Diluted net income per limited partner unit	$ 0.78	$ 0.82	$ 1.59	$ 1.73
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,631	227,952	227,578	227,889
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,631	227,983	227,578	227,921

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Refined products:				
Transportation revenue per barrel shipped	$ 1.398	$ 1.427	$ 1.384	$ 1.422
Volume shipped (million barrels):				
Gasoline	67.2	71.1	129.4	132.2
Distillates	36.3	36.4	73.2	72.7
Aviation fuel	5.3	6.9	10.5	12.4
Liquefied petroleum gases	4.8	4.2	5.8	5.8
Total volume shipped	113.6	118.6	218.9	223.1
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	$ 1.052	$ 1.360	$ 1.081	$ 1.403
Volume shipped (million barrels)	53.8	45.1	103.8	88.8
Crude oil terminal average utilization (million barrels per month)	12.8	14.7	12.7	14.6
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) [1]	23.7	19.3	38.7	38.1
Marine storage:				
Marine terminal average utilization (million barrels per month)	24.3	23.0	23.9	23.2

(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 June 30,		Six Months Ended June 30,	
	2015	2016	2015	2016
Refined products:				
Transportation and terminals revenue	$ 238,317	$ 247,842	$ 459,000	$ 472,592
Affiliate management fee revenue	—	124	—	204
Less:				
Operating expenses	105,081	98,500	179,293	184,485
Losses of non-controlled entities	43	38	98	80
Transportation and terminals margin	133,193	149,428	279,609	288,231
Product sales revenue[1]	109,323	122,311	281,962	266,227
Less: Cost of product sales[1]	94,326	94,392	229,960	206,248
Product margin	14,997	27,919	52,002	59,979
Operating margin	$ 148,190	$ 177,347	$ 331,611	$ 348,210
Crude oil:				
Transportation and terminals revenue	$ 102,035	$ 101,340	$ 192,901	$ 203,068
Affiliate management fee revenue	3,211	2,486	6,238	5,270
Earnings of non-controlled entities	23,905	14,711	32,829	31,690
Less: Operating expenses	22,293	20,550	40,460	41,742
Transportation and terminals margin	106,858	97,987	191,508	198,286
Product sales revenue[1]	—	(28)	—	1,715
Less: Cost of product sales[1]	—	1,016	—	2,361
Product margin	—	(1,044)	—	(646)
Operating margin	$ 106,858	$ 96,943	$ 191,508	$ 197,640
Marine storage:				
Transportation and terminals revenue	$ 44,549	$ 43,058	$ 86,812	$ 86,655
Affiliate management fee revenue	347	358	683	673
Earnings of non-controlled entities	680	666	1,401	1,357
Less: Operating expenses	15,881	16,275	31,216	33,523
Transportation and terminals margin	29,695	27,807	57,680	55,162
Product sales revenue[1]	646	1,406	1,134	2,309
Less: Cost of product sales[1]	181	295	726	679
Product margin	465	1,111	408	1,630
Operating margin	$ 30,160	$ 28,918	$ 58,088	$ 56,792
Segment operating margin	$ 285,208	$ 303,208	$ 581,207	$ 602,642
Add: Allocated corporate depreciation costs	937	1,163	1,944	2,355
Total operating margin	286,145	304,371	583,151	604,997
Less:				
Depreciation and amortization expense	40,440	43,302	82,137	87,056
General and administrative expense	37,942	34,542	73,440	75,416
Total operating profit	$ 207,763	$ 226,527	$ 427,574	$ 442,525

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

(1) Includes gains (losses) on related NYMEX contracts.

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 June 30, 2016		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 187,859	$ 0.82	$ 0.82
Unrealized derivative gains associated with future physical product sales	(997)	—	—
Excluding commodity-related adjustments*	$ 186,862	$ 0.82	$ 0.82
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,952		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,983		

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

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

	Three Months Ended June 30,		Six Months Ended June 30,		2016
	2015	2016	2015	2016	Guidance
Net income	$ 177,391	$ 187,859	$ 361,027	$ 394,929	$ 786,000
Interest expense, net[1]	37,116	41,152	71,854	78,379	166,000
Depreciation and amortization	40,440	43,302	82,137	87,056	180,000
Equity-based incentive compensation [2]	5,788	3,409	(7,245)	(4,317)	6,000
Loss on sale and retirement of assets	2,087	1,004	2,084	3,263	8,000
Gain on exchange of interest in non-controlled entity[3]	—	(1,244)	—	(28,144)	(28,000)
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions [5]	9,556	(997)	5,590	(5,675)	
Derivative gains recognized in previous periods associated with product sales completed in the period [5]	26,682	17,820	91,585	36,245	
Lower-of-cost-or-market adjustments [6]	(10,102)	—	(39,164)	(1,715)	
Total commodity-related adjustments	26,136	16,823	58,011	28,855	38,000
Cash distributions received from non-controlled entities in excess of (less than) earnings for the period	(7,140)	(1,825)	(2,274)	55	12,000
Other[4]	—	2,040	—	2,576	5,000
Adjusted EBITDA	281,818	292,520	565,594	562,652	1,173,000
Interest expense, net, excluding debt issuance cost amortization[1]	(36,476)	(40,345)	(70,627)	(76,858)	(163,000)
Maintenance capital [7]	(22,513)	(31,164)	(39,014)	(59,446)	(100,000)
Distributable cash flow	$ 222,829	$ 221,011	$ 455,953	$ 426,348	$ 910,000

(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 added back debt issuance cost amortization expense included in interest expense of $0.6 million and $1.2 million for the three and six months ended June 30, 2015 and $0.8 million and $1.5 million for the three and six months ended June 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 six months ended June 30, 2015 and 2016 was $10.6 million and $10.1 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 reduces 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.