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,	
	2016	2017	2016	2017
Transportation and terminals revenue	$ 413,433	$ 446,935	$ 1,175,748	$ 1,272,845
Product sales revenue	133,356	121,010	403,607	548,634
Affiliate management fee revenue	4,993	4,903	11,140	12,883
Total revenue	551,782	572,848	1,590,495	1,834,362
Costs and expenses:				
Operating	134,915	165,368	392,011	442,254
Cost of product sales	118,242	121,819	327,530	440,670
Depreciation and amortization	47,081	49,909	134,137	146,103
General and administrative	35,584	37,202	110,814	120,876
Total costs and expenses	335,822	374,298	964,492	1,149,903
Earnings of non-controlled entities	18,576	31,151	51,543	78,173
Operating profit	234,536	229,701	677,546	762,632
Interest expense	50,163	51,895	142,573	154,653
Interest income	(302)	(240)	(1,067)	(788)
Interest capitalized	(7,877)	(3,424)	(21,143)	(10,804)
Gain on sale of asset	—	(18,505)	—	(18,505)
Gain on exchange of interest in non-controlled entity	—	—	(28,144)	—
Other (income) expense	(2,737)	549	(6,447)	3,762
Income before provision for income taxes	195,289	199,426	591,774	634,314
Provision for income taxes	738	926	2,294	2,678
Net income	$ 194,551	$ 198,500	$ 589,480	$ 631,636
Basic net income per limited partner unit	$ 0.85	$ 0.87	$ 2.59	$ 2.77
Diluted net income per limited partner unit	$ 0.85	$ 0.87	$ 2.59	$ 2.77
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,960	228,199	227,913	228,167
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	227,999	228,260	227,947	228,222

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2017	2016	2017
Refined products:				
Transportation revenue per barrel shipped	$ 1.503	$ 1.521	$ 1.451	$ 1.489
Volume shipped (million barrels):				
Gasoline	72.7	75.8	204.9	218.7
Distillates	37.3	41.0	110.0	119.6
Aviation fuel	7.2	6.7	19.6	20.2
Liquefied petroleum gases	4.1	3.9	9.9	9.6
Total volume shipped	121.3	127.4	344.4	368.1
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	$ 1.189	$ 1.332	$ 1.325	$ 1.412
Volume shipped (million barrels)	50.7	48.4	139.5	137.0
Crude oil terminal average utilization (million barrels per month)	14.8	14.9	14.7	15.5
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels)(1)	20.6	25.7	58.7	66.4
Saddlehorn - volume shipped (million barrels)(2)	1.2	4.4	1.2	12.1
Marine storage:				
Marine terminal average utilization (million barrels per month)	24.3	22.5	23.6	23.4

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 50% by Magellan.
(2) These volumes reflect the total shipments for the Saddlehorn pipeline, which is owned 40% by Magellan and began operations in September 2016.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2017	2016	2017
Refined products:				
Transportation and terminals revenue	$ 267,339	$ 289,030	$ 739,931	$ 808,818
Affiliate management fee revenue	218	353	422	1,035
Losses of non-controlled entities	(272)	(700)	(352)	(167)
Less: Operating expenses	95,535	118,665	279,822	312,911
Transportation and terminals margin	171,750	170,018	460,179	496,775
Product sales revenue[1]	105,834	107,175	372,061	509,068
Less: Cost of product sales[1]	93,761	103,391	300,009	396,292
Product margin	12,073	3,784	72,052	112,776
Operating margin	$ 183,823	$ 173,802	$ 532,231	$ 609,551
Crude oil:				
Transportation and terminals revenue	$ 100,113	$ 116,305	$ 303,181	$ 329,813
Affiliate management fee revenue	4,416	3,703	9,686	10,311
Earnings of non-controlled entities	18,180	31,244	49,870	76,388
Less: Operating expenses	24,547	31,163	66,228	89,991
Transportation and terminals margin	98,162	120,089	296,509	326,521
Product sales revenue[1]	24,750	12,370	26,465	34,876
Less: Cost of product sales[1]	24,108	16,630	26,469	37,814
Product margin	642	(4,260)	(4)	(2,938)
Operating margin	$ 98,804	$ 115,829	$ 296,505	$ 323,583
Marine storage:				
Transportation and terminals revenue	$ 46,182	$ 42,501	$ 132,837	$ 136,702
Affiliate management fee revenue	359	847	1,032	1,537
Earnings of non-controlled entities	668	607	2,025	1,952
Less: Operating expenses	16,325	17,723	49,808	45,753
Transportation and terminals margin	30,884	26,232	86,086	94,438
Product sales revenue[1]	2,772	1,465	5,081	4,690
Less: Cost of product sales[1]	373	1,798	1,052	6,564
Product margin	2,399	(333)	4,029	(1,874)
Operating margin	$ 33,283	$ 25,899	$ 90,115	$ 92,564
Segment operating margin	$ 315,910	$ 315,530	$ 918,851	$ 1,025,698
Add: Allocated corporate depreciation costs	1,291	1,282	3,646	3,913
Total operating margin	317,201	316,812	922,497	1,029,611
Less:				
Depreciation and amortization expense	47,081	49,909	134,137	146,103
General and administrative expense	35,584	37,202	110,814	120,876
Total operating profit	$ 234,536	$ 229,701	$ 677,546	$ 762,632

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

[1] Includes gains and losses on related exchange-traded futures contracts.

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, 2017		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 198,500	$ 0.87	$ 0.87
Unrealized derivative (gains) losses associated with future physical product sales	16,797	0.07	0.07
Inventory valuation adjustments associated with future physical product transactions	6,728	0.03	0.03
Excluding commodity-related adjustments*	$ 222,025	$ 0.97	$ 0.97
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,199		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,260		

* 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,		2017
	2016	2017	2016	2017	Guidance
Net income	$ 194,551	$ 198,500	$ 589,480	$ 631,636	$ 895,000
Interest expense, net	41,984	48,231	120,363	143,061	194,000
Depreciation and amortization	47,081	49,909	134,137	146,103	198,000
Equity-based incentive compensation(1)	4,677	3,466	360	308	4,000
Loss on sale and retirement of assets	2,134	2,250	5,397	7,581	12,000
Gain on sale of asset(2)	—	(18,505)	—	(18,505)	(18,000)
Gain on exchange of interest in non-controlled entity(3)	—	—	(28,144)	—	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions(5)	12,272	16,797	10,071	13,518	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period(5)	5,871	4,033	38,642	(25,493)	
Inventory valuation adjustments(6)	(1,083)	(875)	(2,798)	4,048	
Total commodity-related adjustments	17,060	19,955	45,915	(7,927)	(13,000)
Cash distributions received from non-controlled entities in excess of earnings	2,948	8,635	3,003	19,519	30,000
Other(4)	1,315	849	3,891	3,749	4,000
Adjusted EBITDA	311,750	313,290	874,402	925,525	1,306,000
Interest expense, net, excluding debt issuance cost amortization	(41,171)	(47,403)	(118,029)	(140,579)	(191,000)
Maintenance capital(7)	(26,657)	(30,737)	(86,103)	(71,832)	(95,000)
Distributable cash flow	$ 243,922	$ 235,150	$ 670,270	$ 713,114	$ 1,020,000

(1) Because the partnership intends to satisfy vesting of units 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. Total equity-based incentive compensation expense for the nine months ended September 30, 2016 and 2017 was $14.7 million and $14.2 million, respectively. However, the figures above include adjustments of $14.4 million and $13.9 million in 2016 and 2017, respectively, for cash payments associated with its equity-based incentive compensation plan, which primarily include tax withholdings.

(2) 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) 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 adjusts the amount of lower-of-cost-or-market adjustments related to inventory and firm purchase commitments and valuations 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.

(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.