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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Transportation and terminals revenue	$ 392,671	$ 431,937
Product sales revenue	245,620	241,592
Affiliate management fee revenue	3,783	5,250
Total revenue	642,074	678,779
Costs and expenses:		
Operating	131,592	143,296
Cost of product sales	172,876	199,592
Depreciation and amortization	47,298	51,879
General and administrative	40,281	46,556
Total costs and expenses	392,047	441,323
Earnings of non-controlled entities	21,446	34,538
Operating profit	271,473	271,994
Interest expense	51,212	56,652
Interest capitalized	(4,197)	(4,647)
Interest income	(292)	(579)
Other expense	1,170	8,724
Income before provision for income taxes	223,580	211,844
Provision for income taxes	844	934
Net income	$ 222,736	$ 210,910
Basic net income per limited partner unit	$ 0.98	$ 0.92
Diluted net income per limited partner unit	$ 0.98	$ 0.92
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,109	228,320
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,159	228,360

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Refined products:		
Transportation revenue per barrel shipped	$ 1.461	$ 1.464
Volume shipped (million barrels):		
Gasoline	66.2	67.6
Distillates	37.9	43.0
Aviation fuel	5.9	6.3
Liquefied petroleum gases	1.1	1.1
Total volume shipped	111.1	118.0
Crude oil:		
Magellan 100%-owned assets:		
Transportation revenue per barrel shipped	$ 1.543	$ 1.241
Volume shipped (million barrels)	41.3	55.7
Crude oil terminal average utilization (million barrels per month)	16.5	16.0
Select joint venture pipelines:		
BridgeTex - volume shipped (million barrels)(1)	18.9	28.3
Saddlehorn - volume shipped (million barrels)(2)	4.0	5.8
Marine storage:		
Marine terminal average utilization (million barrels per month)	24.0	22.6

(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.

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018
Refined products:		
Transportation and terminals revenue	$ 241,905	$ 260,394
Affiliate management fee revenue	329	297
Earnings of non-controlled entities	111	2,318
Less: Operating expenses	93,533	94,049
Transportation and terminals margin	148,812	168,960
Product sales revenue	240,170	232,774
Less: Cost of product sales	167,681	190,333
Product margin	72,489	42,441
Operating margin	$ 221,301	$ 211,401
Crude oil:		
Transportation and terminals revenue	$ 105,053	$ 126,258
Affiliate management fee revenue	3,134	4,016
Earnings of non-controlled entities	20,650	31,608
Less: Operating expenses	27,418	33,591
Transportation and terminals margin	101,419	128,291
Product sales revenue	3,103	6,439
Less: Cost of product sales	2,577	7,050
Product margin	526	(611)
Operating margin	$ 101,945	$ 127,680
Marine storage:		
Transportation and terminals revenue	$ 46,407	$ 46,200
Affiliate management fee revenue	320	937
Earnings of non-controlled entities	685	612
Less: Operating expenses	12,655	17,964
Transportation and terminals margin	34,757	29,785
Product sales revenue	2,347	2,379
Less: Cost of product sales	2,618	2,209
Product margin	(271)	170
Operating margin	$ 34,486	$ 29,955
Segment operating margin	$ 357,732	$ 369,036
Add: Allocated corporate depreciation costs	1,320	1,393
Total operating margin	359,052	370,429
Less:		
Depreciation and amortization expense	47,298	51,879
General and administrative expense	40,281	46,556
Total operating profit	$ 271,473	$ 271,994

Note: Amounts may not sum to figures shown on the consolidated statement 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 March 31, 2018		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 210,910	$ 0.92	$ 0.92
Unrealized derivative losses associated with future physical product sales[(1)]	13,833	0.06	0.06
Inventory valuation adjustments associated with future physical product transactions	574	—	—
Excluding commodity-related adjustments[(2)]	$ 225,317	$ 0.98	$ 0.98

Weighted average number of limited partner units outstanding used for basic net income per unit calculation	228,320
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,360

(1) Includes 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 March 31, 2017	Three Months Ended March 31, 2018	2018 Guidance
Net income	$ 222,736	$ 210,910	$ 936,000
Interest expense, net	46,723	51,426	215,000
Depreciation and amortization	47,298	51,879	208,000
Equity-based incentive compensation[(1)]	(9,728)	(2,653)	17,000
Loss on sale and retirement of assets	3,461	1,997	10,000
Commodity-related adjustments:			
Derivative (gains) losses recognized in the period associated with future product transactions[(2)]	(6,705)	11,479	
Derivative losses recognized in previous periods associated with product sales completed in the period[(2)]	(20,008)	(20,412)	
Inventory valuation adjustments[(3)]	2,940	(1,098)	
Total commodity-related adjustments	(23,773)	(10,031)	(40,000)
Cash distributions received from non-controlled entities in excess of earnings	159	17,216	30,000
Other[(4)]	1,450	3,644	4,000
Adjusted EBITDA	288,326	324,388	1,380,000
Interest expense, net, excluding debt issuance cost amortization	(45,897)	(50,586)	(210,000)
Maintenance capital[(5)]	(14,829)	(14,860)	(90,000)
Distributable cash flow	$ 227,600	$ 258,942	$ 1,080,000

(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 three months ended March 31, 2017 and 2018 was $4.2 million and $6.6 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) 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.

(3) 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.

(4) 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.

(5) 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.