

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2015	2016	2015	2016
Transportation and terminals revenue.....	\$ 395,646	\$ 415,371	\$ 1,544,746	\$ 1,591,119
Product sales revenue.....	174,009	195,995	629,836	599,602
Affiliate management fee revenue.....	3,393	3,549	13,871	14,689
Total revenue.....	<u>573,048</u>	<u>614,915</u>	<u>2,188,453</u>	<u>2,205,410</u>
Costs and expenses:				
Operating.....	129,528	137,078	525,902	529,759
Cost of product sales.....	131,065	165,808	447,273	493,338
Depreciation and amortization.....	42,632	44,005	166,812	178,142
General and administrative.....	40,277	36,599	151,329	147,815
Total costs and expenses.....	<u>343,502</u>	<u>383,490</u>	<u>1,291,316</u>	<u>1,349,054</u>
Earnings of non-controlled entities.....	16,830	27,153	66,483	78,696
Operating profit.....	<u>246,376</u>	<u>258,578</u>	<u>963,620</u>	<u>935,052</u>
Interest expense.....	40,886	51,614	158,895	194,187
Interest income.....	(283)	(335)	(1,276)	(1,402)
Interest capitalized.....	(5,405)	(6,232)	(14,442)	(27,375)
Gain on exchange of interest in non-controlled entity.....	—	—	—	(28,144)
Other (income) expense.....	3,539	(684)	(1,015)	(8,203)
Income before provision for income taxes.....	<u>207,639</u>	<u>214,215</u>	<u>821,458</u>	<u>805,989</u>
Provision for income taxes.....	516	924	2,336	3,218
Net income.....	<u>\$ 207,123</u>	<u>\$ 213,291</u>	<u>\$ 819,122</u>	<u>\$ 802,771</u>
Basic net income per limited partner unit.....	<u>\$ 0.91</u>	<u>\$ 0.94</u>	<u>\$ 3.60</u>	<u>\$ 3.52</u>
Diluted net income per limited partner unit.....	<u>\$ 0.91</u>	<u>\$ 0.93</u>	<u>\$ 3.59</u>	<u>\$ 3.52</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	<u>227,583</u>	<u>227,963</u>	<u>227,550</u>	<u>227,926</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	<u>228,439</u>	<u>228,385</u>	<u>227,888</u>	<u>228,057</u>

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2015	2016	2015	2016
<b>Refined products:</b>				
Transportation revenue per barrel shipped.....	\$ 1.505	\$ 1.538	\$ 1.439	\$ 1.473
Volume shipped (million barrels):				
Gasoline .....	64.8	70.5	268.1	275.4
Distillates .....	40.5	40.2	152.5	150.2
Aviation fuel .....	5.1	6.1	21.2	25.7
Liquefied petroleum gases .....	0.4	0.5	9.7	10.4
Total volume shipped.....	110.8	117.3	451.5	461.7
<b>Crude oil:</b>				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped.....	\$ 1.161	\$ 1.309	\$ 1.118	\$ 1.321
Volume shipped (million barrels).....	52.5	47.5	209.9	187.0
Crude oil terminal average utilization (million barrels per month).....	13.6	15.8	13.1	15.0
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) <sup>(1)</sup> .....	18.0	20.3	75.2	79.0
Saddlehorn - volume shipped (million barrels) <sup>(2)</sup> .....	—	4.0	—	5.2
<b>Marine storage:</b>				
Marine terminal average utilization (million barrels per month).....	24.0	24.3	24.0	23.8

(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		Year Ended	
	December 31,		December 31,	
	2015	2016	2015	2016
<b>Refined products:</b>				
Transportation and terminals revenue .....	\$ 251,349	\$ 262,437	\$ 974,505	\$ 1,002,368
Affiliate management fee revenue .....	—	343	—	765
Less:				
Operating expenses .....	89,507	100,794	377,772	381,055
Losses of non-controlled entities .....	47	616	193	968
Transportation and terminals margin .....	161,795	161,370	596,540	621,110
Product sales revenue <sup>(1)</sup> .....	169,365	189,698	623,102	561,759
Less: Cost of product sales <sup>(1)</sup> .....	127,320	159,980	442,621	459,989
Product margin .....	42,045	29,718	180,481	101,770
Operating margin .....	<u>\$ 203,840</u>	<u>\$ 191,088</u>	<u>\$ 777,021</u>	<u>\$ 722,880</u>
<b>Crude oil:</b>				
Transportation and terminals revenue .....	\$ 100,075	\$ 104,656	\$ 394,098	\$ 407,837
Affiliate management fee revenue .....	3,046	2,847	12,495	12,533
Earnings of non-controlled entities .....	16,183	27,102	63,918	76,972
Less: Operating expenses .....	24,423	22,392	89,455	88,762
Transportation and terminals margin .....	94,881	112,213	381,056	408,580
Product sales revenue <sup>(1)</sup> .....	3,587	4,705	3,587	31,170
Less: Cost of product sales <sup>(1)</sup> .....	3,278	5,188	3,278	31,657
Product margin .....	309	(483)	309	(487)
Operating margin .....	<u>\$ 95,190</u>	<u>\$ 111,730</u>	<u>\$ 381,365</u>	<u>\$ 408,093</u>
<b>Marine storage:</b>				
Transportation and terminals revenue .....	\$ 44,222	\$ 48,884	\$ 176,143	\$ 181,721
Affiliate management fee revenue .....	347	359	1,376	1,391
Earnings of non-controlled entities .....	694	667	2,758	2,692
Less: Operating expenses .....	16,610	15,807	62,526	65,704
Transportation and terminals margin .....	28,653	34,103	117,751	120,100
Product sales revenue <sup>(1)</sup> .....	1,057	1,592	3,147	6,673
Less: Cost of product sales <sup>(1)</sup> .....	467	640	1,374	1,692
Product margin .....	590	952	1,773	4,981
Operating margin .....	<u>\$ 29,243</u>	<u>\$ 35,055</u>	<u>\$ 119,524</u>	<u>\$ 125,081</u>
Segment operating margin .....	\$ 328,273	\$ 337,873	\$ 1,277,910	\$ 1,256,054
Add: Allocated corporate depreciation costs .....	1,012	1,309	3,851	4,955
Total operating margin .....	329,285	339,182	1,281,761	1,261,009
Less:				
Depreciation and amortization expense .....	42,632	44,005	166,812	178,142
General and administrative expense .....	40,277	36,599	151,329	147,815
Total operating profit .....	<u>\$ 246,376</u>	<u>\$ 258,578</u>	<u>\$ 963,620</u>	<u>\$ 935,052</u>

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

<sup>(1)</sup> Includes gains (losses) on related exchange-traded futures contracts.

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

	<b>Three Months Ended December 31, 2016</b>		
	<b>Net Income</b>	<b>Basic Net Income Per Limited Partner Unit</b>	<b>Diluted Net Income Per Limited Partner Unit</b>
<b>As reported</b> .....	\$ 213,291	\$ 0.94	\$ 0.93
Unrealized derivative losses associated with future physical product sales .....	23,943	0.11	0.11
Excluding commodity-related adjustments* .....	\$ 237,234	\$ 1.05	\$ 1.04
Weighted average number of limited partner units outstanding used for basic net income per unit calculation .....	227,963		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation .....	228,385		

\* 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		Year Ended		2017 Guidance
	December 31,		December 31,		
	2015	2016	2015	2016	
<b>Net income</b> .....	\$ 207,123	\$ 213,291	\$ 819,122	\$ 802,771	\$ 855,000
Interest expense, net <sup>(1)</sup> .....	35,198	45,047	143,177	165,410	200,000
Depreciation and amortization .....	42,632	44,005	166,812	178,142	202,000
Equity-based incentive compensation <sup>(2)</sup> .....	9,019	4,622	6,461	4,982	3,000
Loss on sale and retirement of assets .....	3,493	5,793	7,871	11,190	10,000
Gain on exchange of interest in non-controlled entity <sup>(3)</sup> .....	—	—	—	(28,144)	—
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions <sup>(5)</sup> .....	(14,674)	23,943	(47,780)	21,837	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period <sup>(5)</sup> .....	21,076	(5,600)	96,084	45,218	
Lower-of-cost-or-market adjustments <sup>(6)</sup> .....	4,360	—	(34,316)	(2,798)	
Total commodity-related adjustments .....	10,762	18,343	13,988	64,257	(26,000)
Cash distributions received from non-controlled entities in excess of earnings for the period .....	7,032	6,290	14,572	9,293	40,000
Other <sup>(4)</sup> .....	—	1,450	—	5,341	3,000
<b>Adjusted EBITDA</b> .....	<b>315,259</b>	<b>338,841</b>	<b>1,172,003</b>	<b>1,213,242</b>	<b>1,287,000</b>
Interest expense, net, excluding debt issuance cost amortization <sup>(1)</sup> .....	(34,352)	(44,222)	(140,464)	(162,251)	(197,000)
Maintenance capital <sup>(7)</sup> .....	(24,010)	(17,404)	(88,685)	(103,507)	(90,000)
<b>Distributable cash flow</b> .....	<b>\$ 256,897</b>	<b>\$ 277,215</b>	<b>\$ 942,854</b>	<b>\$ 947,484</b>	<b>\$ 1,000,000</b>

- (1) For the purposes of calculating DCF, the partnership has excluded debt issuance cost amortization from interest expense of \$0.8 million and \$0.9 million, respectively, for the three months ended December 31, 2015 and 2016 and \$2.7 million and \$3.2 million, respectively, for the year ended December 31, 2015 and 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 year ended December 31, 2015 and 2016 was \$24.3 million and \$19.4 million, respectively. However, the figures above include adjustments of \$17.8 million and \$14.4 million in 2015 and 2016, respectively, for minimum statutory tax withholdings the partnership paid in connection with its equity-based incentive compensation program.
- (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.