

Murphy USA Inc.  
Form 10-Q  
August 03, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35914

MURPHY USA INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-2279221

(I.R.S. Employer Identification No.)

200 Peach Street

El Dorado, Arkansas

(Address of principal executive offices)

71730-5836

(Zip Code)

(870) 875-7600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☐ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Number of shares of Common Stock, \$0.01 par value, outstanding at June 30, 2017 was 36,051,935.

MURPHY USA INC.

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## ITEM 1. FINANCIAL STATEMENTS

## Murphy USA Inc.

## Consolidated Balance Sheets

	June 30, 2017 (unaudited)	December 31, 2016
(Thousands of dollars)		
Assets		
Current assets		
Cash and cash equivalents	\$197,095	\$153,813
Accounts receivable—trade, less allowance for doubtful accounts of \$1,921 in 2017 and \$1,891 in 2016	164,372	183,519
Inventories, at lower of cost or market	179,044	153,351
Prepaid expenses and other current assets	25,233	24,871
Total current assets	565,744	515,554
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$818,409 in 2017 and \$780,426 in 2016	1,613,234	1,532,655
Other assets	44,208	40,531
Total assets	\$2,223,186	\$2,088,740
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	\$14,958	\$40,596
Trade accounts payable and accrued liabilities	394,303	473,370
Income taxes payable	—	594
Total current liabilities	409,261	514,560
Long-term debt, including capitalized lease obligations	869,086	629,622
Deferred income taxes	217,670	204,656
Asset retirement obligations	26,978	26,200
Deferred credits and other liabilities	19,550	16,626
Total liabilities	1,542,545	1,391,664
Stockholders' Equity		
Preferred Stock, par \$0.01 (authorized 20,000,000 shares, none outstanding)	—	—
Common Stock, par \$0.01 (authorized 200,000,000 shares, 46,767,164 and 46,767,164 shares issued at 2017 and 2016, respectively)	468	468
Treasury stock (10,715,229 and 9,831,196 shares held at June 30, 2017 and December 31, 2016, respectively)	(667,522 )	(608,001 )
Additional paid in capital (APIC)	545,887	555,338
Retained earnings	801,808	749,271
Total stockholders' equity	680,641	697,076
Total liabilities and stockholders' equity	\$2,223,186	\$2,088,740

See notes to consolidated financial statements.

Murphy USA Inc.  
Consolidated Statements of Income  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars except per share amounts)	2017	2016	2017	2016
Operating Revenues				
Petroleum product sales (a)	\$2,567,719	\$2,371,735	\$4,969,973	\$4,260,019
Merchandise sales	605,698	589,457	1,171,488	1,151,194
Other operating revenues	37,643	44,570	69,217	84,811
Total operating revenues	3,211,060	3,005,762	6,210,678	5,496,024
Operating Expenses				
Petroleum product cost of goods sold (a)	2,413,175	2,242,936	4,742,508	4,026,065
Merchandise cost of goods sold	507,979	496,801	984,940	972,603
Station and other operating expenses	129,433	125,145	254,177	241,919
Depreciation and amortization	27,513	23,685	54,525	47,171
Selling, general and administrative	31,347	32,320	69,593	63,823
Accretion of asset retirement obligations	446	412	888	825
Total operating expenses	3,109,893	2,921,299	6,106,631	5,352,406
Gain (loss) on sale of assets	130	(490)	(3,368)	88,975
Income from operations	101,297	83,973	100,679	232,593
Other income (expense)				
Interest income	318	250	365	330
Interest expense	(11,644)	(10,210)	(21,142)	(19,598)
Other nonoperating income	3	85	235	118
Total other income (expense)	(11,323)	(9,875)	(20,542)	(19,150)
Income before income taxes	89,974	74,098	80,137	213,443
Income tax expense	34,411	27,788	27,600	81,259
Net Income	\$55,563	\$46,310	\$52,537	\$132,184
Basic and Diluted Earnings Per Common Share				
Basic	\$1.52	\$1.18	\$1.43	\$3.29
Diluted	1.51	1.17	\$1.42	\$3.26
Weighted-Average Common Shares Outstanding (in thousands):				
Basic	36,525	39,360	36,700	40,134
Diluted	36,861	39,720	37,018	40,505
Supplemental information:				
(a) Includes excise taxes of:	\$504,582	\$487,923	\$984,650	\$960,533

See notes to consolidated financial statements.

Murphy USA Inc.  
Consolidated Statements of Cash Flows  
(unaudited)

(Thousands of dollars)		Six Months Ended June 30,	
	2017	2016	
Operating Activities			
Net income	\$ 52,537	\$ 132,184	
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	54,525	47,171	
Deferred and noncurrent income tax charges	13,014	14,605	
Accretion of asset retirement obligations	888	825	
Pretax (gains) losses from sale of assets	3,368	(88,975)	)
Net (increase) decrease in noncash operating working capital	(84,718)	57,427	)
Other operating activities - net	828	5,365	
Net cash provided by operating activities	40,442	168,602	
Investing Activities			
Property additions	(134,150)	(116,569)	)
Proceeds from sale of assets	715	86,298	
Changes in restricted cash	—	13,429	
Other investing activities - net	(4,143)	(15,138)	)
Net cash required by investing activities	(137,578)	(31,980)	)
Financing Activities			
Purchase of treasury stock	(66,337)	(167,105)	)
Borrowings of debt	338,750	200,000	
Repayments of debt	(125,901)	(10,165)	)
Debt issuance costs	(935)	(3,240)	)
Amounts related to share-based	(5,159)	(4,237)	)

compensation

Net cash provided by financing activities	140,418	15,253
Net increase in cash and cash equivalents	43,282	151,875
Cash and cash equivalents at January 1	153,813	102,335
Cash and cash equivalents at June 30	\$ 197,095	\$ 254,210

See notes to consolidated financial statements.

Murphy USA Inc.  
Consolidated Statements of Changes in Equity  
(unaudited)

(Thousands of dollars, except share amounts)	Common Stock					Total
	Shares	Par	Treasury Stock	APIC	Retained Earnings	
Balance as of December 31, 2015	46,767,164	\$468	\$(294,139)	\$558,182	\$527,779	\$792,290
Net income	—	—	—	—	132,184	132,184
Purchase of treasury stock	—	—	(167,105 )	—	—	(167,105 )
Issuance of common stock	—	—	—	—	—	—
Issuance of treasury stock	—	—	6,748	(6,748 )	—	—
Amounts related to share-based compensation	—	—	—	(4,237 )	—	(4,237 )
Share-based compensation expense	—	—	—	4,780	—	4,780
Balance as of June 30, 2016	46,767,164	\$468	\$(454,496)	\$551,977	\$659,963	\$757,912

(Thousands of dollars, except share amounts)	Common Stock					Total
	Shares	Par	Treasury Stock	APIC	Retained Earnings	
Balance as of December 31, 2016	46,767,164	\$468	\$(608,001)	\$555,338	\$749,271	\$697,076
Net income	—	—	—	—	52,537	52,537
Purchase of treasury stock	—	—	(66,337 )	—	—	(66,337 )
Issuance of common stock	—	—	—	—	—	—
Issuance of treasury stock	—	—	6,816	(6,816 )	—	—
Amounts related to share-based compensation	—	—	—	(5,159 )	—	(5,159 )
Share-based compensation expense	—	—	—	2,524	—	2,524
Balance as of June 30, 2017	46,767,164	\$468	\$(667,522)	\$545,887	\$801,808	\$680,641

See notes to consolidated financial statements.



Murphy USA Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of Business and Basis of Presentation

Description of business — Murphy USA Inc. (“Murphy USA” or the “Company”) markets refined products through a network of retail gasoline stations and to unbranded wholesale customers. Murphy USA’s owned retail stations are almost all located in close proximity to Walmart stores in 26 states and use the brand name Murphy USA®. Murphy USA also markets gasoline and other products at standalone stations under the Murphy Express brand. At June 30, 2017, Murphy USA had a total of 1,411 Company stations of which 1,154 were Murphy USA and 257 were Murphy Express.

Basis of Presentation — Murphy USA was incorporated in March 2013 and, in connection with its incorporation, Murphy USA issued 100 shares of common stock, par value \$0.01 per share, to Murphy Oil Corporation (“Murphy Oil”) for \$1.00. On August 30, 2013, Murphy USA was separated from Murphy Oil through the distribution of 100% of the common stock of Murphy USA to holders of Murphy Oil stock.

In preparing the financial statements of Murphy USA in conformity with accounting principles generally accepted in the United States, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

In 2017, we revised our historical presentation of gains and losses on asset disposals and retirements, which are shown in our Consolidated Statements of Income as gain (loss) on sale of assets. This line item is currently, and will be prospectively, presented as a component of income from operations. Our accounting policy has been updated to reflect this presentation.

Interim Financial Information — The interim period financial information presented in these consolidated financial statements is unaudited and includes all known accruals and adjustments, in the opinion of management, necessary for a fair presentation of the consolidated financial position of Murphy USA and its results of operations and cash flows for the periods presented. All such adjustments are of a normal and recurring nature.

These interim consolidated financial statements should be read together with our audited financial statements for the years ended December 31, 2016, 2015 and 2014, included in our Annual Report on Form 10-K (File No. 001-35914), as filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 on February 22, 2017.

Recently Issued Accounting Standards—

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The Company will adopt ASU No. 2014-09 beginning January 1, 2018 using the modified retrospective approach applied to those contracts that were not completed at that date. Prior periods will not be retrospectively adjusted. The Company has substantially completed its analysis to identify all revenue streams, and is currently determining the impact the ASU will have on its various revenue streams and consolidated financial statements. The Company anticipates completing its analysis during the second half of 2017 and we continue to evaluate the impact to

our consolidated financial statements and disclosures. The Company is in the process of updating our existing controls and processes to comply with the guidance.

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company currently presents excise tax and other similar taxes collected on sales of refined products and remitted to governmental agencies on a gross basis, in both revenues and cost of petroleum products sold in the income statement. ASU 2014-09 requires the Company to either analyze each tax on a jurisdiction-by-jurisdiction basis to determine if it is the principal in the transaction and continue to present the tax on a gross basis or elect to report all taxes on a net basis. The Company expects to elect to assess all excise and other similar taxes on a jurisdiction-by-jurisdiction basis resulting in certain taxes to be presented on a net basis upon adoption of ASU 2014-09, thus reducing revenue in the income statement with no impact to net income or cash flows. The Company does not expect the impact on reported revenue for the year ended December 31, 2018, or the quarters therein, to be material.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. Lessor accounting will remain similar to lessor accounting under previous GAAP, while aligning with the FASB's new revenue recognition guidance. ASU 2016-02 is effective for the Company beginning January 1, 2019. Early adoption of ASU 2016-02 is permitted. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. While this ASU will have an impact on our internal processes and controls and result in a change to our accounting, we are still in the evaluation and information gathering stage of implementing the guidance and can not yet estimate the potential impact.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to share-based payments, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified among other changes. The standard was effective for the Company on January 1, 2017.

The primary impact of adoption for the first half of 2017 was the recognition of \$1.9 million of excess tax benefits in the provision for income taxes rather than paid-in-capital for the current period. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2017, where the cumulative effect of these changes is required to be recorded. The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

The Company elected to apply the presentation requirements for cash flows related to excess tax benefits prospectively as of January 1, 2017. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented on the consolidated statement of cash flows, as such cash flows have historically been presented as a financing activity.

## Note 2 — Inventories

Inventories consisted of the following:

(Thousands of dollars)	June 30, 2017	December 31, 2016
Finished products - FIFO basis	\$202,737	\$ 207,903
Less LIFO reserve - finished products	(128,515 )	(153,319 )
Finished products - LIFO basis	74,222	54,584
Store merchandise for resale	100,214	95,649
Materials and supplies	4,608	3,118

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Total inventories	\$179,044	\$ 153,351
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At June 30, 2017 and December 31, 2016, the replacement cost (market value) of last-in, first-out (LIFO) inventories exceeded the LIFO carrying value by \$128.5 million and \$153.3 million, respectively.

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 3 — Long-Term Debt

Long-term debt consisted of the following:

(Thousands of dollars)	June 30, 2017	December 31, 2016
6% senior notes due 2023 (net of unamortized discount of \$5,392 at June 30, 2017 and \$5,826 at December 2016)	\$494,608	\$ 494,174
5.625% senior notes due 2027 (net of unamortized discount of \$3,682 at June 30, 2017)	296,318	—
Term loan due 2020 (effective rate of 3.78% at June 30, 2017)	97,000	180,000
Capitalized lease obligations, vehicles, due through 2021	1,909	1,451
Less unamortized debt issuance costs	(5,791 )	(5,407 )
Total long-term debt	884,044	670,218
Less current maturities	14,958	40,596
Total long-term debt, net of current	\$869,086	\$ 629,622

## Senior Notes

On August 14, 2013, Murphy Oil USA, Inc., our primary operating subsidiary, issued 6.00% Senior Notes due 2023 (the "2023 Senior Notes") in an aggregate principal amount of \$500 million. The 2023 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2023 Senior Notes contains restrictive covenants that limit, among other things, the ability of Murphy USA, Murphy Oil USA, Inc. and the restricted subsidiaries to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates or merge with or into other entities.

On April 25, 2017, Murphy Oil USA, Inc., issued \$300 million of 5.625% Senior Notes due 2027 (the "2027 Senior Notes") under its existing shelf registration statement. The 2027 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2027 Senior Notes contains restrictive covenants that are essentially identical to the covenants for the 2023 Senior Notes.

The 2023 and 2027 Senior Notes and the guarantees rank equally with all of our and the guarantors' existing and future senior unsecured indebtedness and effectively junior to our and the guarantors' existing and future secured indebtedness (including indebtedness with respect to the credit facilities) to the extent of the value of the assets securing such indebtedness. The 2023 and 2027 Senior Notes are structurally subordinated to all of the existing and future third-party liabilities, including trade payables, of our existing and future subsidiaries that do not guarantee the notes. As of June 30, 2017, we have zero outstanding under our ABL facility.

## Credit Facilities and Term Loan

In March 2016, we amended and extended our existing credit agreement. The credit agreement provides for a committed \$450 million asset-based loan (ABL) facility (with availability subject to the borrowing base described below) and a \$200 million term loan facility. It also provides for a \$150 million uncommitted incremental facility. On March 10, 2016, Murphy Oil USA, Inc. borrowed \$200 million under the term loan facility that has a four-year term.

The borrowing base is, at any time of determination, the amount (net of reserves) equal to the sum of:

- 100% of eligible cash at such time, plus
- 90% of eligible credit card receivables at such time, plus
- 90% of eligible investment grade accounts, plus
- 85% of eligible other accounts, plus
- 80% of eligible product supply/wholesale refined products inventory at such time, plus
- 75% of eligible retail refined products inventory at such time, plus

Murphy USA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the lesser of (i) 70% of the average cost of eligible retail merchandise inventory at such time and (ii) 85% of the net orderly liquidation value of eligible retail merchandise inventory at such time.

The ABL facility includes a \$200 million sublimit for the issuance of letters of credit. Letters of credit issued under the ABL facility reduce availability under the ABL facility.

Interest payable on the credit facilities is based on either:

the London interbank offered rate, adjusted for statutory reserve requirements (the "Adjusted LIBO Rate"); or the Alternate Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds effective rate from time to time plus 0.50% per annum and (c) the one-month Adjusted LIBO Rate plus 1.00% per annum,

plus, (A) in the case of Adjusted LIBO Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 1.50% to 2.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term loan facility, spreads ranging from 2.50% to 2.75% per annum depending on a total debt to EBITDA ratio and (B) in the case of Alternate Base Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 0.50% to 1.00% per annum depending on total debt to EBITDA ratio or (ii) with respect to the term loan facility, spreads ranging from 1.50% to 1.75% per annum depending on a total debt to EBITDA ratio.

The interest rate period with respect to the Adjusted LIBO Rate interest rate option can be set at one, two, three, or six months as selected by us in accordance with the terms of the credit agreement.

We were obligated to make quarterly amortization payments on the outstanding principal amount of the term loan facility beginning on July 1, 2016 equal to 5% of the aggregate principal amount of term loans made on March 10, 2016, with the remaining balance payable on the scheduled maturity date of the term loan facility. Borrowings under the credit facilities are prepayable at our option without premium or penalty. We are also required to prepay the term loan facility with the net cash proceeds of certain asset sales or casualty events, subject to certain exceptions. The credit agreement also includes certain customary mandatory prepayment provisions with respect to the ABL facility.

The credit agreement contains certain covenants that limit, among other things, the ability of us and our subsidiaries to incur additional indebtedness or liens, to make certain investments, to enter into sale-leaseback transactions, to make certain restricted payments, to enter into consolidations, mergers or sales of material assets and other fundamental changes, to transact with affiliates, to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends, or to make certain accounting changes. In addition, the credit agreement requires us to maintain a minimum fixed charge coverage ratio of 1.0 to 1.0 when availability for at least three consecutive business days is less than the greater of (a) 17.5% of the lesser of the aggregate ABL facility commitments and the borrowing base and (b) \$70,000,000 (including as of the most recent fiscal quarter end on the first date when availability is less than such amount), as well as a maximum secured total debt to EBITDA ratio of 4.5 to 1.0 at any time when term facility commitments or term loans are outstanding. As of June 30, 2017, our fixed charge coverage ratio was 0.57; however, we had more than \$100 million of availability under the ABL facility at that date so the fixed charge coverage ratio currently has no impact on our operations or liquidity. Our secured debt to EBITDA ratio as of June 30, 2017 was 0.26 to 1.0.

The Senior Credit Agreement contains restrictions on certain payments, including dividends, when availability under the credit agreement is less than or equal to the greater of \$100 million and 25% of the lesser of the revolving commitments and the borrowing base and our fixed charge coverage ratio is less than 1.0 to 1.0 (unless availability under the credit agreement is greater than \$100 million and 40% of the lesser of the revolving commitments and the borrowing base). As of June 30, 2017, our ability to make restricted payments was not limited as our availability

under the borrowing base was more than \$100 million, while our fixed charge coverage ratio under our Senior Credit Agreement was less than 1.0 to 1.0. As of December 31, 2016, we had a shortfall of approximately \$304.1 million of our net income and retained earnings subject to such restrictions before the fixed charge coverage ratio under our Senior Credit Agreement would exceed 1.0 to 1.0.

All obligations under the credit agreement are guaranteed by Murphy USA and the subsidiary guarantors party thereto, and all obligations under the credit agreement, including the guarantees of those obligations, are secured by certain assets of Murphy USA, Murphy Oil USA, Inc. and the guarantors party thereto.



Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 4 — Asset Retirement Obligations (ARO)

The majority of the ARO recognized by the Company at June 30, 2017 and December 31, 2016 related to the estimated costs to dismantle and abandon certain of its retail gasoline stations. The Company has not recorded an ARO for certain of its marketing assets because sufficient information is presently not available to estimate a range of potential settlement dates for the obligation. These assets are consistently being upgraded and are expected to be operational into the foreseeable future. In these cases, the obligation will be initially recognized in the period in which sufficient information exists to estimate the obligation.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO is shown in the following table.

(Thousands of dollars)	June 30, 2017	December 31, 2016
Balance at beginning of period	\$26,200	\$ 24,345
Accretion expense	888	1,650
Liabilities incurred	167	379
Settlement of liabilities	\$(277 )	\$( 174 )
Balance at end of period	\$26,978	\$ 26,200

The estimation of future ARO is based on a number of assumptions requiring professional judgment. The Company cannot predict the type of revisions to these assumptions that may be required in future periods due to the lack of availability of additional information.

## Note 5— Income Taxes

The effective tax rate is calculated as the amount of income tax expense divided by income before income tax expense (benefit). For the three and six month periods ended June 30, 2017 and 2016, the Company's effective tax rates were as follows:

	2017	2016
Three months ended June 30,	38.2%	37.5%
Six months ended June 30,	34.4%	38.1%

The effective tax rate for the three months ended June 30, 2017 was higher than the U.S. Federal tax rate of 35% but is in line with our estimated effective tax rate of 38% for the remainder of the year. For the six months ended June 30, 2017, the tax rate was lower than the U.S. Federal tax rate due to impacts from first quarter tax benefits.

The Company was included in Murphy Oil's tax returns for the periods prior to the separation. The statute of several jurisdictions remains subject to audit by taxing authorities. As of June 30, 2017, the earliest year remaining open for Federal examination is 2012 and for the states it ranges from 2009-2012. In addition to the pre-separation returns being open under statute, the federal and state tax returns post separation are also open under statute for examination. Although the Company believes that recorded liabilities for uncertain tax positions are adequate, additional gains or losses could occur in future periods from resolution of outstanding unsettled matters.

We adopted ASU 2016-09 on January 1, 2017, which requires the excess tax benefits or deficiencies to be reflected in the Consolidated Statements of Income as a component of the provision for income taxes whereas they previously were recognized in paid-in-capital. Total excess tax benefits recognized in the three and six months ended June 30,

2017 was \$0.1 million and \$1.9 million, respectively.

Murphy USA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 — Incentive Plans

2013 Long-Term Incentive Plan

Effective August 30, 2013, certain of our employees participate in the Murphy USA 2013 Long-Term Incentive Plan which was subsequently amended and restated effective as of February 8, 2017 (the “MUSA 2013 Plan”). The MUSA 2013 Plan authorizes the Executive Compensation Committee of our Board of Directors (“the Committee”) to grant non-qualified or incentive stock options, stock appreciation rights, stock awards (including restricted stock and restricted stock unit awards), cash awards, and performance awards to our employees. No more than 5.5 million shares of MUSA common stock may be delivered under the MUSA 2013 Plan and no more than 1 million shares of common stock may be awarded to any one employee, subject to adjustment for changes in capitalization. The maximum cash amount payable pursuant to any “performance-based” award to any participant in any calendar year is \$5 million.

On February 8, 2017, the Committee granted nonqualified stock options for 114,800 shares at an exercise price of \$65.75 per share under the terms of the MUSA 2013 Plan. The Black-Scholes valuation for these awards is \$15.45 per option. The Committee also awarded time-based restricted stock units and performance-based restricted stock units (performance units) to certain employees on the same date. There were 29,075 time-based restricted units granted at an average grant date fair value of \$65.41 along with 53,800 performance units. Half of the performance units vest based on a 3-year return on average capital employed (ROACE) calculation and the other half vest based on a 3-year total shareholder return (TSR) calculation that compares MUSA to a group of 16 peer companies. The portion of the awards that vest based on TSR qualify as a market condition and must be valued using a Monte Carlo valuation model. For the TSR portion of the awards, the fair value was determined to be \$94.51 per unit. For the ROACE portion of the awards, the valuation will be based on the grant date fair value of \$65.75 per unit and the number of awards will be periodically assessed to determine the probability of vesting.

On February 8, 2017, the Committee also granted 50,075 time-based restricted stock units granted to certain employees with a grant date fair value of \$65.75 per unit.

2013 Stock Plan for Non-employee Directors

Effective August 8, 2013, Murphy USA adopted the 2013 Murphy USA Stock Plan for Non-employee Directors (the “Directors Plan”). The directors for Murphy USA are compensated with a mixture of cash payments and equity-based awards. Awards under the Directors Plan may be in the form of restricted stock, restricted stock units, stock options, or a combination thereof. An aggregate of 500,000 shares of common stock shall be available for issuance of grants under the Directors Plan.

During the first quarter of 2017, the Company issued 15,948 restricted stock units to its non-employee directors at a weighted average grant date fair value of \$66.01 per share. These shares vest in three years from the grant date.

For the six months ended June 30, 2017 and 2016, share based compensation was \$2.5 million and \$4.8 million, respectively. The income tax benefit realized for the tax deductions from options exercised for the six months ended June 30, 2017 and 2016 was \$0.2 million and \$1.4 million, respectively.

Adoption of ASU 2016-09

On January 1, 2017, the Company adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amended the current stock compensation guidance. As part of the adoption of this standard, the Company determined to leave its policy related to accounting for forfeitures based on estimates rather than changing to actual forfeitures. See Note 1 "Description of Business and Basis of Presentation" for information regarding the impact of adopting this standard for the Company.



Murphy USA Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7— Financial Instruments and Risk Management

**DERIVATIVE INSTRUMENTS** — The Company makes limited use of derivative instruments to manage certain risks related to commodity prices. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company’s senior management. The Company does not hold any derivatives for speculative purposes and it does not use derivatives with leveraged or complex features. Derivative instruments are traded primarily with creditworthy major financial institutions or over national exchanges such as the New York Mercantile Exchange (“NYMEX”). As of June 30, 2017, all current derivative activity is immaterial.

At June 30, 2017 and December 31, 2016, cash deposits of \$2.5 million and \$1.8 million related to commodity derivative contracts were reported in Prepaid expenses and other current assets in the Consolidated Balance Sheets, respectively. These cash deposits have not been used to increase the reported net assets or reduce the reported net liabilities on the derivative contracts at June 30, 2017 or December 31, 2016, respectively.

Note 8 – Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of stock options and restricted stock in the periods where such items are dilutive.

On January 25, 2016, the Company announced that it would proceed with an independent growth plan in which we will concentrate on acquiring land from third parties rather than acquiring land directly from Walmart. In conjunction with this announcement, the Board of Directors approved a strategic allocation of capital for the Company to pursue new additional growth opportunities and to undertake a share repurchase program of the Company's common stock. The Board authorized up to \$500 million in total for this activity through December 31, 2017. For the six months ended June 30, 2017, the Company acquired 994,231 shares of common stock for an average price of \$66.72 per share including brokerage fees. The Company has remaining authority of \$110.4 million under our current program.

The following table provides a reconciliation of basic and diluted earnings per share computations for the three and six months ended June 30, 2017 and 2016 (in thousands, except per share amounts):

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Earnings per common share:				
Net income per share - basic				
Net income attributable to common stockholders	\$55,563	\$46,310	\$52,537	\$132,184
Weighted average common shares outstanding (in thousands)	36,525	39,360	36,700	40,134
Earnings per common share	\$1.52	\$1.18	\$1.43	\$3.29

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings per common share - assuming dilution:

Net income (loss) per share - diluted

Net income (loss) attributable to common stockholders	\$55,563	\$46,310	\$52,537	\$132,184
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Weighted average common shares outstanding (in thousands)	36,525	39,360	36,700	40,134
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Common equivalent shares:

Dilutive options	336	360	318	371
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Weighted average common shares outstanding - assuming dilution (in thousands)	36,861	39,720	37,018	40,505
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Earnings per common share assuming dilution	\$1.51	\$1.17	\$1.42	\$3.26
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We have excluded from the earnings-per-share calculation certain stock options and shares that are considered to be anti-dilutive under the treasury stock method. For the reported periods, the number of time-based restricted stock units, performance based units and non-qualified stock options that are excluded due to their anti-dilutive nature is immaterial.

## Note 9 — Other Financial Information

OTHER OPERATING REVENUES – Other operating revenues in the Consolidated Statements of Income include the following items:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2017	2016	2017	2016
Renewable Identification Numbers (RINs) sales	\$36,618	\$43,868	\$65,646	\$82,643
Other	1,025	702	3,571	2,168
Other operating revenues	\$37,643	\$44,570	\$69,217	\$84,811

CASH FLOW DISCLOSURES — Cash income taxes paid (collected), net of refunds, were \$13.1 million and \$15.1 million for the six month periods ended June 30, 2017 and 2016, respectively. Interest paid, net of amounts capitalized, was \$17.1 million and \$18.1 million for the six month periods ended June 30, 2017 and 2016, respectively.

	Six Months Ended June 30,	
(Thousands of dollars)	2017	2016
Accounts receivable	\$19,192	\$(11,921)
Inventories	(25,712)	) 3,412
Prepaid expenses and other current assets	(362)	) 23,978
Accounts payable and accrued liabilities	(77,242)	) 17,955
Income taxes payable	(594)	) 24,003
Net decrease (increase) in noncash operating working capital	\$(84,718)	\$57,427

## Note 10 — Assets and Liabilities Measured at Fair Value

The Company carries certain assets and liabilities at fair value in its Consolidated Balance Sheets. The fair value hierarchy is based on the quality of inputs used to measure fair value, with Level 1 being the highest quality and Level

3 being the lowest quality. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs which reflect assumptions about pricing by market participants.

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At the balance sheet date, the fair value of derivative contracts were determined using NYMEX quoted values but were immaterial.

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at June 30, 2017 and December 31, 2016. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes Cash and cash equivalents, Accounts receivable-trade, Trade accounts payable and accrued liabilities, all of which had fair values approximating carrying amounts. The fair value of Current and Long-term debt was estimated based on rates offered to the Company at that time for debt of the same maturities. The Company has off-balance sheet exposures relating to certain financial guarantees and letters of credit. The fair value of these, which represents fees associated with obtaining the instruments, was nominal.

	At June 30, 2017		At December 31, 2016	
	Carrying		Carrying	
(Thousands of dollars)	Amount	Fair Value	Amount	Fair Value
Financial liabilities				
Current and long-term debt	\$(884,044)	\$(916,128)	\$(670,218)	\$(690,114)

## Note 11 — Contingencies

The Company's operations and earnings have been and may be affected by various forms of governmental action. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; import and export controls; price controls; allocation of supplies of crude oil and petroleum products and other goods; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form the actions may take or the effect such actions may have on the Company.

**ENVIRONMENTAL MATTERS AND LEGAL MATTERS** — Murphy USA is subject to numerous federal, state and local laws and regulations dealing with the environment. Violation of such environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and other sanctions. A discharge of hazardous substances into the environment could, to the extent such event is not insured, subject the Company to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners and other third parties for any personal injury, property damage and other losses that might result.

The Company currently owns or leases, and has in the past owned or leased, properties at which hazardous substances have been or are being handled. Although the Company believes it has used operating and disposal practices that were standard in the industry at the time, hazardous substances may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where they have been taken for disposal. In addition, many of these properties have been operated by third parties whose management of hazardous substances was not under the Company's control. Under existing laws the Company could be required to remediate contaminated property (including contaminated groundwater) or to perform remedial actions to prevent future contamination. Certain of these contaminated properties are in various stages of negotiation, investigation, and/or cleanup, and the Company is investigating the extent of any related liability and the availability of applicable defenses. With the sale of the U.S. refineries in 2011, Murphy Oil retained certain liabilities related to environmental matters. Murphy Oil also



obtained insurance covering certain levels of environmental exposures. The Company believes costs related to these sites will not have a material adverse effect on Murphy USA's net income, financial condition or liquidity in a future period.

Certain environmental expenditures are likely to be recovered by the Company from other sources, primarily environmental funds maintained by certain states. Since no assurance can be given that future recoveries from other sources will occur, the Company has not recorded a benefit for likely recoveries at June 30, 2017, however

Murphy USA Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

certain jurisdictions provide reimbursement for these expenses which have been considered in recording the net exposure.

The U.S. Environmental Protection Agency (EPA) currently considers the Company a Potentially Responsible Party (PRP) at one Superfund site. The potential total cost to all parties to perform necessary remedial work at this site may be substantial. However, based on current negotiations and available information, the Company believes that it is a de minimis party as to ultimate responsibility at the Superfund site. Accordingly, the Company has not recorded a liability for remedial costs at the Superfund site at June 30, 2017. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at this site or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up this site will be immaterial and will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

Based on information currently available to the Company, the amount of future remediation costs to be incurred to address known contamination sites is not expected to have a material adverse effect on the Company's future net income, cash flows or liquidity. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination or the imposition of new or revised requirements applicable to known contamination.

Other than as noted above, Murphy USA is engaged in a number of other legal proceedings, all of which the Company considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of those other legal matters is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

**INSURANCE** — The Company maintains insurance coverage at levels that are customary and consistent with industry standards for companies of similar size. Murphy USA maintains statutory workers compensation insurance with a deductible of \$1.0 million per occurrence, general liability insurance with a deductible of \$3.0 million per occurrence, and auto liability insurance with a deductible of \$0.3 million per occurrence. As of June 30, 2017, there were a number of outstanding claims that are of a routine nature. The estimated incurred but unpaid liabilities relating to these claims are included in Trade account payables and accrued liabilities on the Consolidated Balance Sheets. While the ultimate outcome of these claims cannot presently be determined, management believes that the accrued liability of \$19.5 million will be sufficient to cover the related liability for all insurance claims and that the ultimate disposition of these claims will have no material effect on the Company's financial position and results of operations.

The Company has obtained insurance coverage as appropriate for the business in which it is engaged, but may incur losses that are not covered by insurance or reserves, in whole or in part, and such losses could adversely affect our results of operations and financial position.

**TAX MATTERS** — Murphy USA is subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities because of these audits may subject us to interest and penalties.

**OTHER MATTERS** — In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At June 30, 2017, the Company had contingent liabilities of

\$16.9 million on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to these financial guarantees and letters of credit because it is believed that the likelihood of having these drawn is remote.

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 12 — Business Segment

The Company's operations have one operating segment which is Marketing. The operations include the sale of retail motor fuel products and convenience merchandise along with the wholesale and bulk sale capabilities of our Product Supply and Wholesale ("PS&W") group. As the primary purpose of the PS&W group is to support our retail operations and provide fuel for their daily operation, the bulk and wholesale fuel sales are secondary to the support functions played by these groups. As such, they are all treated as one segment for reporting purposes as they sell the same products. This Marketing segment contains essentially all of the revenue generating functions of the Company. Results not included in the reportable segment include Corporate and Other Assets. The reportable segment was determined based on information reviewed by the Chief Operating Decision Maker (CODM).

	Total Assets at	Three Months Ended June 30, 2017		June 30, 2016	
		External Revenues	Income (Loss)	External Revenues	Income (Loss)
(Thousands of dollars)	June 30,				
Marketing	1,914,740	\$3,211,038	\$63,714	\$3,005,750	\$53,442
Corporate and other assets	308,446	22	(8,151 )	12	(7,132 )
Total	2,223,186	\$3,211,060	\$55,563	\$3,005,762	\$46,310

  

		Six Months Ended June 30, 2017		June 30, 2016	
		External Revenues	Income (Loss)	External Revenues	Income (Loss)
(Thousands of dollars)					
Marketing		6,210,444	64,314	\$5,495,808	\$145,867
Corporate and other assets		234	(11,777 )	216	(13,683 )
Total		\$6,210,678	\$52,537	\$5,496,024	\$132,184

## Note 13 – Guarantor Subsidiaries

Certain of the Company's 100% owned, domestic subsidiaries (the "Guarantor Subsidiaries") fully and unconditionally guarantee, on a joint and several basis, certain of the outstanding indebtedness of the Company, including the 6.00% senior notes due 2023 and the 5.625% senior notes due 2027. The following consolidating schedules present financial information on a consolidated basis in conformity with the SEC's Regulation S-X Rule 3-10(d):

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATING BALANCE SHEET

(unaudited)

(Thousands of dollars)

	June 30, 2017					
Assets	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	—	197,090	5	—	—	197,095
Accounts receivable—trade, less allowance for doubtful accounts of \$1,921 in 2017	—	164,372	—	—	—	164,372
Inventories, at lower of cost or market	—	179,044	—	—	—	179,044
Prepaid expenses and other current assets	—	25,230	3	—	—	25,233
Total current assets	—	565,736	8	—	—	565,744
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$818,409 in 2017	—	1,612,436	798	—	—	1,613,234
Investments in subsidiaries	2,030,647	144,911	—	—	(2,175,558 )	—
Other assets	—	44,208	—	—	—	44,208
Total assets	2,030,647	2,367,291	806	—	(2,175,558 )	2,223,186
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	—	14,958	—	—	—	14,958
Inter-company accounts payable	689,653	(484,066 )	(51,249 )	(154,338 )	—	—
Trade accounts payable and accrued liabilities	—	394,303	—	—	—	394,303
Total current liabilities	689,653	(74,805 )	(51,249 )	(154,338 )	—	409,261
Long-term debt, including capitalized lease obligations	—	869,086	—	—	—	869,086
Deferred income taxes	—	217,670	—	—	—	217,670
Asset retirement obligations	—	26,978	—	—	—	26,978
Deferred credits and other liabilities	—	19,550	—	—	—	19,550
Total liabilities	689,653	1,058,479	(51,249 )	(154,338 )	—	1,542,545
Stockholders' Equity						
Preferred Stock, par \$0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par \$0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at June 30, 2017)	468	1	60	—	(61 )	468
Treasury Stock (10,715,229 shares held at June 30, 2017)	(667,522 )	—	—	—	—	(667,522 )
Additional paid in capital (APIC)	1,206,240	568,482	52,004	87,543	(1,368,382 )	545,887
Retained earnings	801,808	740,329	(9 )	66,795	(807,115 )	801,808
Total stockholders' equity	1,340,994	1,308,812	52,055	154,338	(2,175,558 )	680,641
Total liabilities and stockholders' equity	2,030,647	2,367,291	806	—	(2,175,558 )	2,223,186



Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATING BALANCE SHEET

(Thousands of dollars)

	December 31, 2016		GuarantorNon-Guarantor			
Assets	Parent Company	Issuer	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	\$—	\$153,813	\$ —	\$ —	\$—	\$153,813
Accounts receivable—trade, less allowance for doubtful accounts of \$1,891 in 2016	—	183,519	—	—	—	183,519
Inventories, at lower of cost or market	—	153,351	—	—	—	153,351
Prepaid expenses and other current assets	—	24,871	—	—	—	24,871
Total current assets	—	515,554	—	—	—	515,554
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$780,426 in 2016	—	1,532,655	—	—	—	1,532,655
Investments in subsidiaries	1,978,110	144,917	—	—	(2,123,027 )	—
Other assets	—	40,531	—	—	—	40,531
Total assets	\$1,978,110	\$2,233,657	\$ —	\$ —	\$(2,123,027 )	\$2,088,740
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	\$—	\$40,596	\$ —	\$ —	\$—	\$40,596
Inter-company accounts payable	623,316	(416,914 )	(52,064 )	(154,338 )	—	—
Trade accounts payable and accrued liabilities	—	473,370	—	—	—	473,370
Income taxes payable	—	591	3	—	—	594
Total current liabilities	623,316	97,643	(52,061 )	(154,338 )	—	514,560
Long-term debt, including capitalized lease obligations	—	629,622	—	—	—	629,622
Deferred income taxes	—	204,656	—	—	—	204,656
Asset retirement obligations	—	26,200	—	—	—	26,200
Deferred credits and other liabilities	—	16,626	—	—	—	16,626
Total liabilities	623,316	974,747	(52,061 )	(154,338 )	—	1,391,664
Stockholders' Equity						
Preferred Stock, par \$0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par \$0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at December 31, 2016)	468	1	60	—	(61 )	468
Treasury Stock (9,831,196 shares held at December 31, 2016)	(608,001 )	—	—	—	—	(608,001 )
Additional paid in capital (APIC)	1,213,056	571,117	52,004	87,543	(1,368,382 )	555,338
Retained earnings	749,271	687,792	(3 )	66,795	(754,584 )	749,271
Total stockholders' equity	1,354,794	1,258,910	52,061	154,338	(2,123,027 )	697,076
Total liabilities and stockholders' equity	\$1,978,110	\$2,233,657	\$ —	\$ —	\$(2,123,027 )	\$2,088,740

Murphy USA Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATING INCOME STATEMENT

(unaudited)

(Thousands of dollars)

Three Months Ended June 30, 2017

	Parent Issuer Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Revenues					
Petroleum product sales	—2,567,719	—	—	—	2,567,719
Merchandise sales	—605,698	—	—	—	605,698
Other operating revenues	—37,641	2	—	—	37,643
Total operating revenues	—3,211,058	2	—	—	3,211,060
Operating Expenses					
Petroleum product cost of goods sold	—2,413,175	—	—	—	2,413,175
Merchandise cost of goods sold	—507,979	—	—	—	507,979
Station and other operating expenses	—129,432	1	—	—	129,433
Depreciation and amortization	—27,507	6	—	—	27,513
Selling, general and administrative	—31,347	—	—	—	31,347
Accretion of asset retirement obligations	—446	—	—	—	446
Total operating expenses	—3,109,886	7	—	—	3,109,893
Gain (loss) on sale of assets	—130	—	—	—	130
Income (loss) from operations	—101,302	(5 )	—	—	101,297
Other income (expense)					
Interest income	—318	—	—	—	318
Interest expense	—(11,644 )	—	—	—	(11,644 )
Other nonoperating income	—3	—	—	—	3
Total other income (expense)	—(11,323 )	—	—	—	(11,323 )
Income (loss) before income taxes	—89,979	(5 )	—	—	89,974
Income tax expense	—34,411	—	—	—	