

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2014	2013	2014
Transportation and terminals revenue	\$ 282,462	\$ 353,568	\$ 509,733	\$ 671,205
Product sales revenue	157,922	137,657	359,633	433,720
Affiliate management fee revenue	3,528	5,221	6,967	10,127
Total revenue	443,912	496,446	876,333	1,115,052
Costs and expenses:				
Operating	77,415	124,874	142,596	198,371
Cost of product sales	115,328	109,103	275,726	307,143
Depreciation, amortization and impairments	34,186	46,897	70,518	84,408
General and administrative	33,262	39,309	63,318	74,244
Total costs and expenses	260,191	320,183	552,158	664,166
Earnings of non-controlled entities	736	1,955	2,787	2,421
Operating profit	184,457	178,218	326,962	453,307
Interest expense	31,720	37,265	63,443	73,681
Interest income	(13)	(406)	(35)	(797)
Interest capitalized	(3,243)	(6,843)	(6,694)	(12,153)
Debt placement fee amortization expense	540	602	1,080	1,201
Income before provision for income taxes	155,453	147,600	269,168	391,375
Provision for income taxes	1,813	1,340	2,561	2,561
Net income	<u>\$ 153,640</u>	<u>\$ 146,260</u>	<u>\$ 266,607</u>	<u>\$ 388,814</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.68</u>	<u>\$ 0.64</u>	<u>\$ 1.18</u>	<u>\$ 1.71</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>226,864</u>	<u>227,288</u>	<u>226,785</u>	<u>227,215</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2014	2013	2014
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.366	\$ 1.409	\$ 1.256	\$ 1.384
Volume shipped (million barrels):				
Gasoline.....	59.1	63.7	112.7	123.5
Distillates.....	35.5	40.5	69.3	78.0
Aviation fuel.....	5.0	6.1	9.5	11.1
Liquefied petroleum gases	2.2	3.7	3.3	5.2
Total volume shipped.....	101.8	114.0	194.8	217.8
Crude oil:				
Transportation revenue per barrel shipped.....	\$ 0.771	\$ 1.243	\$ 0.605	\$ 1.182
Volume shipped (million barrels).....	28.1	46.9	44.0	88.7
Crude oil terminal average utilization (million barrels per month).....	12.6	12.3	12.5	12.2
Marine storage:				
Marine terminal average utilization (million barrels per month).....	22.8	22.7	22.7	22.7

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2014	2013	2014
Refined products:				
Transportation and terminals revenue.....	\$ 202,397	\$ 232,489	\$ 367,756	\$ 442,725
Less: Operating expenses.....	66,456	97,302	112,737	148,459
Transportation and terminals margin.....	<u>135,941</u>	<u>135,187</u>	<u>255,019</u>	<u>294,266</u>
Product sales revenue.....	156,321	136,334	355,736	430,044
Less: Cost of product sales.....	114,460	108,817	272,758	306,573
Product margin.....	<u>41,861</u>	<u>27,517</u>	<u>82,978</u>	<u>123,471</u>
Operating margin.....	<u>\$ 177,802</u>	<u>\$ 162,704</u>	<u>\$ 337,997</u>	<u>\$ 417,737</u>
Crude oil:				
Transportation and terminals revenue.....	\$ 41,158	\$ 79,556	\$ 64,386	\$ 147,459
Affiliate management fee revenue.....	3,239	4,902	6,398	9,497
Earnings of non-controlled entities.....	110	888	1,485	708
Less: Operating expenses.....	4,027	11,867	9,134	20,925
Transportation and terminals margin.....	<u>40,480</u>	<u>73,479</u>	<u>63,135</u>	<u>136,739</u>
Operating margin.....	<u>\$ 40,480</u>	<u>\$ 73,479</u>	<u>\$ 63,135</u>	<u>\$ 136,739</u>
Marine storage:				
Transportation and terminals revenue.....	\$ 38,907	\$ 41,523	\$ 77,591	\$ 81,021
Affiliate management fee revenue.....	289	319	569	630
Earnings of non-controlled entities.....	626	1,067	1,302	1,713
Less: Operating expenses.....	7,694	16,544	22,247	30,630
Transportation and terminals margin.....	<u>32,128</u>	<u>26,365</u>	<u>57,215</u>	<u>52,734</u>
Product sales revenue.....	1,601	1,323	3,897	3,676
Less: Cost of product sales.....	868	286	2,968	570
Product margin.....	<u>733</u>	<u>1,037</u>	<u>929</u>	<u>3,106</u>
Operating margin.....	<u>\$ 32,861</u>	<u>\$ 27,402</u>	<u>\$ 58,144</u>	<u>\$ 55,840</u>
Segment operating margin.....	\$ 251,143	\$ 263,585	\$ 459,276	\$ 610,316
Add: Allocated corporate depreciation costs.....	762	839	1,522	1,643
Total operating margin.....	<u>251,905</u>	<u>264,424</u>	<u>460,798</u>	<u>611,959</u>
Less:				
Depreciation, amortization and impairments.....	34,186	46,897	70,518	84,408
General and administrative expense.....	33,262	39,309	63,318	74,244
Total operating profit.....	<u>\$ 184,457</u>	<u>\$ 178,218</u>	<u>\$ 326,962</u>	<u>\$ 453,307</u>

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 MARK-TO-MARKET COMMODITY-RELATED PRICING ADJUSTMENTS
TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

	Three Months Ended	
	June 30, 2014	
	Net Income	Basic and Diluted Net Income Per Limited Partner Unit
As reported	\$ 146,260	\$ 0.64
Unrealized derivative losses associated with future physical product transactions.....	13,597	0.06
Excluding commodity-related adjustments*	\$ 159,857	\$ 0.70
 Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	 227,288	

* 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		Six Months Ended		2014 Guidance
	June 30,		June 30,		
	2013	2014	2013	2014	
Net income	\$ 153,640	\$ 146,260	\$ 266,607	\$ 388,814	\$ 749,000
Interest expense, net, and provision for income taxes.....	30,277	31,356	59,275	63,292	127,000
Depreciation, amortization and impairments ⁽¹⁾ ..	34,726	47,499	71,598	85,609	162,000
Equity-based incentive compensation ⁽²⁾	5,425	7,665	(1,978)	(2,060)	8,000
Asset retirements	507	2,105	2,298	3,310	7,000
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions ⁽³⁾	(8,096)	13,597	(6,860)	14,371	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	(1,556)	(1,931)	(5,726)	(8,086)	
Lower-of-cost-or-market adjustments.....	2,057	—	57	—	
Total commodity-related adjustments	(7,595)	11,666	(12,529)	6,285	(5,000)
Other.....	362	1,438	(917)	1,834	(4,000)
Adjusted EBITDA	<u>217,342</u>	<u>247,989</u>	<u>384,354</u>	<u>547,084</u>	<u>1,044,000</u>
Interest expense, net, and provision for income taxes.....	(30,277)	(31,356)	(59,275)	(63,292)	(127,000)
Maintenance capital ⁽⁵⁾	(18,878)	(20,787)	(32,986)	(34,764)	(77,000)
Distributable cash flow	<u>\$ 168,187</u>	<u>\$ 195,846</u>	<u>\$ 292,093</u>	<u>\$ 449,028</u>	<u>\$ 840,000</u>
Distributable cash flow per limited partner unit paid distributions related to this period.....	<u>\$ 0.74</u>	<u>\$ 0.86</u>	<u>\$ 1.29</u>	<u>\$ 1.98</u>	<u>\$ 3.70</u>
Weighted average number of limited partner units paid distributions related to this period	<u>226,679</u>	<u>227,068</u>	<u>226,679</u>	<u>227,068</u>	<u>227,068</u>

⁽¹⁾ Depreciation, amortization and impairments includes debt placement fee amortization. The 2014 amounts include a \$9.4 million impairment of a certain terminal and related assets.

⁽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 distributable cash flow purposes. Total equity-based incentive compensation expense for the six months ended June 30, 2013 and 2014 was \$10.3 million and \$12.7 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2013 and 2014 of \$12.3 million and \$14.8 million, respectively, for equity-based incentive compensation units that vested on the previous year end, which reduce distributable cash flow.

⁽³⁾ 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. These amounts represent the gains or losses from economic hedges in the partnership's earnings for the period associated with products that had not yet been physically sold as of the period end date.

⁽⁴⁾ When the partnership physically sells products that it has economically hedged (but were not designated as hedges for accounting purposes), it includes in its distributable cash flow calculations the full amount of the change in fair value of the associated derivative agreement.

⁽⁵⁾ Maintenance capital expenditure projects are not undertaken primarily to generate incremental distributable cash flow (i.e. incremental returns to the partnership's unitholders), while expansion capital projects are undertaken primarily to generate incremental distributable cash flow. For this reason, the partnership deducts maintenance capital expenditures to determine distributable cash flow.