

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2014	2013	2014
Transportation and terminals revenue	\$ 295,326	\$ 360,517	\$ 805,059	\$ 1,031,722
Product sales revenue	144,852	155,865	504,485	589,585
Affiliate management fee revenue	3,657	5,219	10,624	15,346
Total revenue	443,835	521,601	1,320,168	1,636,653
Costs and expenses:				
Operating	103,262	132,387	245,858	330,758
Cost of product sales	120,299	91,591	396,025	398,734
Depreciation and amortization	35,270	38,054	105,788	122,462
General and administrative	32,755	35,377	96,073	109,621
Total costs and expenses	291,586	297,409	843,744	961,575
Earnings of non-controlled entities	2,375	1,645	5,162	4,066
Operating profit	154,624	225,837	481,586	679,144
Interest expense	31,852	34,993	95,295	108,674
Interest income	(215)	(374)	(250)	(1,171)
Interest capitalized	(3,780)	(9,205)	(10,474)	(21,358)
Debt placement fee amortization expense	540	566	1,620	1,767
Income before provision for income taxes	126,227	199,857	395,395	591,232
Provision for income taxes	604	1,237	3,165	3,798
Net income	<u>\$ 125,623</u>	<u>\$ 198,620</u>	<u>\$ 392,230</u>	<u>\$ 587,434</u>
Basic net income per limited partner unit	<u>\$ 0.55</u>	<u>\$ 0.87</u>	<u>\$ 1.73</u>	<u>\$ 2.59</u>
Diluted net income per limited partner unit	<u>\$ 0.55</u>	<u>\$ 0.87</u>	<u>\$ 1.73</u>	<u>\$ 2.58</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>226,866</u>	<u>227,294</u>	<u>226,812</u>	<u>227,242</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>226,866</u>	<u>227,830</u>	<u>226,812</u>	<u>227,422</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2014	2013	2014
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.306	\$ 1.408	\$ 1.274	\$ 1.392
Volume shipped (million barrels):				
Gasoline.....	61.9	66.2	174.6	189.7
Distillates.....	36.1	41.6	105.4	119.6
Aviation fuel.....	5.9	6.4	15.4	17.5
Liquefied petroleum gases	4.0	4.3	7.3	9.5
Total volume shipped.....	<u>107.9</u>	<u>118.5</u>	<u>302.7</u>	<u>336.3</u>
Crude oil:				
Transportation revenue per barrel shipped.....	\$ 1.010	\$ 1.304	\$ 0.765	\$ 1.222
Volume shipped (million barrels).....	28.6	44.0	72.6	132.7
Crude oil terminal average utilization (million barrels per month).....	12.3	12.3	12.4	12.2
Marine storage:				
Marine terminal average utilization (million barrels per month).....	23.2	22.9	22.9	22.8

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2014	2013	2014
Refined products:				
Transportation and terminals revenue.....	\$ 205,859	\$ 237,972	\$ 573,615	\$ 680,697
Less: Operating expenses.....	82,174	101,206	194,911	249,665
Transportation and terminals margin.....	123,685	136,766	378,704	431,032
Product sales revenue.....	143,549	155,134	499,285	585,178
Less: Cost of product sales.....	120,429	91,407	393,187	397,980
Product margin.....	23,120	63,727	106,098	187,198
Operating margin.....	\$ 146,805	\$ 200,493	\$ 484,802	\$ 618,230
Crude oil:				
Transportation and terminals revenue.....	\$ 49,519	\$ 78,839	\$ 113,905	\$ 226,298
Affiliate management fee revenue.....	3,369	4,902	9,767	14,399
Earnings of non-controlled entities.....	1,770	959	3,255	1,667
Less: Operating expenses.....	4,034	14,375	13,168	35,300
Transportation and terminals margin.....	50,624	70,325	113,759	207,064
Operating margin.....	\$ 50,624	\$ 70,325	\$ 113,759	\$ 207,064
Marine storage:				
Transportation and terminals revenue.....	\$ 39,948	\$ 43,706	\$ 117,539	\$ 124,727
Affiliate management fee revenue.....	288	317	857	947
Earnings of non-controlled entities.....	605	686	1,907	2,399
Less: Operating expenses.....	17,813	17,691	40,060	48,321
Transportation and terminals margin.....	23,028	27,018	80,243	79,752
Product sales revenue.....	1,303	731	5,200	4,407
Less: Cost of product sales.....	(130)	184	2,838	754
Product margin.....	1,433	547	2,362	3,653
Operating margin.....	\$ 24,461	\$ 27,565	\$ 82,605	\$ 83,405
Segment operating margin.....	\$ 221,890	\$ 298,383	\$ 681,166	\$ 908,699
Add: Allocated corporate depreciation costs.....	759	885	2,281	2,528
Total operating margin.....	222,649	299,268	683,447	911,227
Less:				
Depreciation and amortization.....	35,270	38,054	105,788	122,462
General and administrative expense.....	32,755	35,377	96,073	109,621
Total operating profit.....	\$ 154,624	\$ 225,837	\$ 481,586	\$ 679,144

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 September 30, 2014		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 198,620	\$ 0.87	\$ 0.87
Unrealized derivative gains associated with future physical product sales.....	(39,246)	(0.17)	(0.17)
Lower-of-cost-or-market adjustments.....	2,453	0.01	0.01
Excluding commodity-related adjustments*	\$ 161,827	\$ 0.71	\$ 0.71
 Weighted average number of limited partner units outstanding used for basic net income per unit calculation	 227,294		
 Weighted average number of limited partner units outstanding used for diluted net income per unit calculation..	 227,830		

* 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		Nine Months Ended		2014 Guidance
	September 30,		September 30,		
	2013	2014	2013	2014	
Net income	\$ 125,623	\$ 198,620	\$ 392,230	\$ 587,434	\$ 795,000
Interest expense, net, and provision for income taxes.....	28,461	26,651	87,736	89,943	124,000
Depreciation and amortization ⁽¹⁾	35,810	38,620	107,408	124,229	163,000
Equity-based incentive compensation ⁽²⁾	4,217	4,978	2,239	2,918	14,000
Asset retirements.....	1,971	1,520	4,269	4,830	7,000
Commodity-related adjustments:					
Derivative gains recognized in the period associated with future product sales ⁽³⁾	(2,770)	(39,246)	(8,317)	(28,692)	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	1,301	(3,817)	(5,738)	(8,086)	
Lower-of-cost-or-market adjustments.....	(551)	2,453	(494)	2,453	
Total commodity-related adjustments.....	(2,020)	(40,610)	(14,549)	(34,325)	(27,000)
Other.....	(2,011)	1,659	(2,928)	3,493	(10,000)
Adjusted EBITDA	192,051	231,438	576,405	778,522	1,066,000
Interest expense, net, and provision for income taxes.....	(28,461)	(26,651)	(87,736)	(89,943)	(124,000)
Maintenance capital ⁽⁵⁾	(22,533)	(21,401)	(55,519)	(56,165)	(77,000)
Distributable cash flow	<u>\$ 141,057</u>	<u>\$ 183,386</u>	<u>\$ 433,150</u>	<u>\$ 632,414</u>	<u>\$ 865,000</u>
Distributable cash flow per limited partner unit paid distributions related to this period.....	<u>\$ 0.62</u>	<u>\$ 0.81</u>	<u>\$ 1.91</u>	<u>\$ 2.79</u>	<u>\$ 3.81</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 and amortization includes debt placement fee amortization. The nine months ended September 30, 2014 include a \$9.4 million impairment of a certain terminal and related assets, which we charged to depreciation expense.

⁽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 nine months ended September 30, 2013 and 2014 was \$14.5 million and \$17.7 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 maintain our existing assets and do not 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.