

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,	
	2013	2014	2013	2014
Transportation and terminals revenue	\$ 333,269	\$ 370,916	\$ 1,138,328	\$ 1,402,638
Product sales revenue	240,184	289,389	744,669	878,974
Affiliate management fee revenue	3,985	6,765	14,609	22,111
Total revenue	577,438	667,070	1,897,606	2,303,723
Costs and expenses:				
Operating	100,212	113,514	346,070	444,272
Cost of product sales	182,004	195,851	578,029	594,585
Depreciation and amortization	36,442	39,279	142,230	161,741
General and administrative	36,423	38,667	132,496	148,288
Total costs and expenses	355,081	387,311	1,198,825	1,348,886
Earnings of non-controlled entities	1,113	15,328	6,275	19,394
Operating profit	223,470	295,087	705,056	974,231
Interest expense	35,168	34,855	130,463	143,529
Interest income	(92)	(369)	(342)	(1,540)
Interest capitalized	(3,865)	(1,445)	(14,339)	(22,803)
Debt placement fee amortization expense	804	566	2,424	2,333
Other expense	—	8,573	—	8,573
Income before provision for income taxes	191,455	252,907	586,850	844,139
Provision for income taxes	1,448	822	4,613	4,620
Net income	<u>\$ 190,007</u>	<u>\$ 252,085</u>	<u>\$ 582,237</u>	<u>\$ 839,519</u>
Basic net income per limited partner unit	<u>\$ 0.84</u>	<u>\$ 1.11</u>	<u>\$ 2.57</u>	<u>\$ 3.69</u>
Diluted net income per limited partner unit	<u>\$ 0.83</u>	<u>\$ 1.10</u>	<u>\$ 2.56</u>	<u>\$ 3.69</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>226,879</u>	<u>227,316</u>	<u>226,829</u>	<u>227,260</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>227,928</u>	<u>228,232</u>	<u>227,094</u>	<u>227,626</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2014	2013	2014
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.418	\$ 1.420	\$ 1.313	\$ 1.399
Volume shipped (million barrels):				
Gasoline.....	65.0	66.4	239.7	256.1
Distillates.....	41.1	43.5	146.5	163.1
Aviation fuel.....	5.7	5.5	21.1	23.0
Liquefied petroleum gases	0.6	0.4	7.8	9.9
Total volume shipped.....	112.4	115.8	415.1	452.1
Crude oil:				
Transportation revenue per barrel shipped.....	\$ 1.088	\$ 1.116	\$ 0.880	\$ 1.192
Volume shipped (million barrels).....	40.6	52.8	113.2	185.5
Crude oil terminal average utilization (million barrels per month).....	12.0	12.0	12.3	12.2
Marine storage:				
Marine terminal average utilization (million barrels per month).....	23.3	23.3	23.0	22.9

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2014	2013	2014
Refined products:				
Transportation and terminals revenue.....	\$ 227,513	\$ 241,065	\$ 801,128	\$ 921,762
Less: Operating expenses.....	75,800	81,542	270,711	331,207
Transportation and terminals margin.....	151,713	159,523	530,417	590,555
Product sales revenue.....	238,986	287,359	738,271	872,537
Less: Cost of product sales.....	181,516	194,907	574,703	592,887
Product margin.....	57,470	92,452	163,568	279,650
Operating margin.....	\$ 209,183	\$ 251,975	\$ 693,985	\$ 870,205
Crude oil:				
Transportation and terminals revenue.....	\$ 64,504	\$ 83,838	\$ 178,409	\$ 310,136
Affiliate management fee revenue.....	3,594	6,391	13,361	20,790
Earnings of non-controlled entities.....	526	14,642	3,781	16,309
Less: Operating expenses.....	5,963	16,105	19,131	51,405
Transportation and terminals margin.....	62,661	88,766	176,420	295,830
Operating margin.....	\$ 62,661	\$ 88,766	\$ 176,420	\$ 295,830
Marine storage:				
Transportation and terminals revenue.....	\$ 41,252	\$ 46,013	\$ 158,791	\$ 170,740
Affiliate management fee revenue.....	391	374	1,248	1,321
Earnings of non-controlled entities.....	587	686	2,494	3,085
Less: Operating expenses.....	19,347	16,852	59,407	65,173
Transportation and terminals margin.....	22,883	30,221	103,126	109,973
Product sales revenue.....	1,198	2,030	6,398	6,437
Less: Cost of product sales.....	488	944	3,326	1,698
Product margin.....	710	1,086	3,072	4,739
Operating margin.....	\$ 23,593	\$ 31,307	\$ 106,198	\$ 114,712
Segment operating margin.....	\$ 295,437	\$ 372,048	\$ 976,603	\$ 1,280,747
Add: Allocated corporate depreciation costs.....	898	985	3,179	3,513
Total operating margin.....	296,335	373,033	979,782	1,284,260
Less:				
Depreciation and amortization expense.....	36,442	39,279	142,230	161,741
General and administrative expense.....	36,423	38,667	132,496	148,288
Total operating profit.....	\$ 223,470	\$ 295,087	\$ 705,056	\$ 974,231

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 AND LOWER-OF-
COST-OR-MARKET INVENTORY ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

	Three Months Ended December 31, 2014		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 252,085	\$ 1.11	\$ 1.10
Unrealized derivative gains associated with future physical product sales.....	(75,939)	(0.33)	(0.33)
Lower-of-cost-or-market inventory adjustment.....	36,856	0.16	0.16
Excluding commodity-related adjustments*.....	\$ 213,002	\$ 0.94	\$ 0.93
 Weighted average number of limited partner units outstanding used for basic net income per unit calculation	 227,316		
 Weighted average number of limited partner units outstanding used for diluted net income per unit calculation..	 228,232		

* 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		2015 Guidance
	December 31,		December 31,		
	2013	2014	2013	2014	
Net income	\$ 190,007	\$ 252,085	\$ 582,237	\$ 839,519	\$ 672,000
Interest expense, net, and provision for income taxes.....	32,659	33,863	120,395	123,806	150,000
Depreciation and amortization ⁽¹⁾	37,246	39,845	144,654	164,074	169,000
Equity-based incentive compensation ⁽²⁾	9,584	9,553	11,823	12,471	6,000
Asset retirements.....	3,566	2,393	7,835	7,223	7,000
Commodity-related adjustments:					
Derivative losses (gains) recognized in the period associated with future product sales ⁽³⁾	12,820	(75,939)	8,086	(87,511)	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	2,896	17,120	(6,425)	(8,086)	
Lower-of-cost-or-market inventory adjustment.....	(1,506)	36,856	(2,000)	39,309	
Total commodity-related adjustments.....	14,210	(21,963)	(339)	(56,288)	63,000
Earnings of non-controlled entities, net of distributions received.....	2,519	(12,217)	(409)	(8,724)	8,000
Adjusted EBITDA	<u>289,791</u>	<u>303,559</u>	<u>866,196</u>	<u>1,082,081</u>	<u>1,075,000</u>
Interest expense, net, and provision for income taxes.....	(32,659)	(33,863)	(120,395)	(123,806)	(150,000)
Maintenance capital ⁽⁵⁾	(20,562)	(21,641)	(76,081)	(77,806)	(85,000)
Distributable cash flow	<u>\$ 236,570</u>	<u>\$ 248,055</u>	<u>\$ 669,720</u>	<u>\$ 880,469</u>	<u>\$ 840,000</u>
Distributable cash flow per limited partner unit receiving distributions related to this period.....	<u>\$ 1.04</u>	<u>\$ 1.09</u>	<u>\$ 2.95</u>	<u>\$ 3.88</u>	<u>\$ 3.69</u>
Weighted average number of limited partner units receiving distributions related to this period.....	<u>227,068</u>	<u>227,426</u>	<u>226,777</u>	<u>227,158</u>	<u>227,426</u>

- (1) Depreciation and amortization includes debt placement fee amortization. Based on an impairment analysis we performed in 2014, we accelerated the depreciation of a certain terminal and related assets for the year ended December 31, 2014 by \$9.4 million.
- (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 year ended December 31, 2013 and 2014 was \$24.1 million and \$27.3 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.