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

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2015	2014	2015
Transportation and terminals revenue	$ 382,039	$ 395,646	$ 1,459,267	$ 1,544,746
Product sales revenue	289,389	174,009	878,974	629,836
Affiliate management fee revenue	6,765	3,393	22,111	13,871
Total revenue	678,193	573,048	2,360,352	2,188,453
Costs and expenses:				
Operating	124,637	129,528	500,901	525,902
Cost of product sales	195,851	131,065	594,585	447,273
Depreciation and amortization	39,279	42,632	161,741	166,812
General and administrative	38,667	40,277	148,288	151,329
Total costs and expenses	398,434	343,502	1,405,515	1,291,316
Earnings of non-controlled entities	15,328	16,830	19,394	66,483
Operating profit	295,087	246,376	974,231	963,620
Interest expense	35,421	40,886	145,862	158,895
Interest income	(369)	(283)	(1,540)	(1,276)
Interest capitalized	(1,445)	(5,405)	(22,803)	(14,442)
Other expense (income)	8,573	3,539	8,573	(1,015)
Income before provision for income taxes	252,907	207,639	844,139	821,458
Provision for income taxes	822	516	4,620	2,336
Net income	$ 252,085	$ 207,123	$ 839,519	$ 819,122
Basic net income per limited partner unit	$ 1.11	$ 0.91	$ 3.69	$ 3.60
Diluted net income per limited partner unit	$ 1.10	$ 0.91	$ 3.69	$ 3.59
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,316	227,583	227,260	227,550
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,232	228,439	227,626	227,888

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2015	2014	2015
Refined products:				
Transportation revenue per barrel shipped	$ 1.420	$ 1.505	$ 1.399	$ 1.439
Volume shipped (million barrels):				
Gasoline	66.4	64.8	256.1	268.1
Distillates	43.5	40.5	163.1	152.5
Aviation fuel	5.5	5.1	23.0	21.2
Liquefied petroleum gases	0.4	0.4	9.9	9.7
Total volume shipped	115.8	110.8	452.1	451.5
Crude oil:				
Magellan 100%-owned assets:				
Transportation revenue per barrel shipped	$ 1.116	$ 1.161	$ 1.192	$ 1.118
Volume shipped (million barrels)	52.8	52.5	185.5	209.9
Crude oil terminal average utilization (million barrels per month)	12.0	13.6	12.2	13.1
Select joint venture pipelines:				
BridgeTex - volume shipped (million barrels) (1)	18.1	18.0	18.3	75.2
Marine storage:				
Marine terminal average utilization (million barrels per month)	23.3	24.0	22.9	24.0

(1) These volumes reflect the total shipments for the BridgeTex pipeline, which is owned 50% by Magellan.

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

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2015
Refined products:				
Transportation and terminals revenue	$ 245,976	$ 251,349	$ 946,612	$ 974,505
Less: Operating expenses	86,453	89,507	356,057	377,772
Losses of non-controlled entities	—	(47)	—	(193)
Transportation and terminals margin	159,523	161,795	590,555	596,540
Product sales revenue	287,359	169,365	872,537	623,102
Less: Cost of product sales	194,907	127,320	592,887	442,621
Product margin	92,452	42,045	279,650	180,481
Operating margin	$ 251,975	$ 203,840	$ 870,205	$ 777,021
Crude oil:				
Transportation and terminals revenue	$ 90,050	$ 100,075	$ 341,915	$ 394,098
Affiliate management fee revenue	6,391	3,046	20,790	12,495
Earnings of non-controlled entities	14,642	16,183	16,309	63,918
Less: Operating expenses	22,317	24,423	83,184	89,455
Transportation and terminals margin	88,766	94,881	295,830	381,056
Product sales revenue	—	3,587	—	3,587
Less: Cost of product sales	—	3,278	—	3,278
Product margin	—	309	—	309
Operating margin	$ 88,766	$ 95,190	$ 295,830	$ 381,365
Marine storage:				
Transportation and terminals revenue	$ 46,013	$ 44,222	$ 170,740	$ 176,143
Affiliate management fee revenue	374	347	1,321	1,376
Earnings of non-controlled entities	686	694	3,085	2,758
Less: Operating expenses	16,852	16,610	65,173	62,526
Transportation and terminals margin	30,221	28,653	109,973	117,751
Product sales revenue	2,030	1,057	6,437	3,147
Less: Cost of product sales	944	467	1,698	1,374
Product margin	1,086	590	4,739	1,773
Operating margin	$ 31,307	$ 29,243	$ 114,712	$ 119,524
Segment operating margin	$ 372,048	$ 328,273	$ 1,280,747	$ 1,277,910
Add: Allocated corporate depreciation costs	985	1,012	3,513	3,851
Total operating margin	373,033	329,285	1,284,260	1,281,761
Less:				
Depreciation and amortization expense	39,279	42,632	161,741	166,812
General and administrative expense	38,667	40,277	148,288	151,329
Total operating profit	$ 295,087	$ 246,376	$ 974,231	$ 963,620

Note: Amounts may not sum to figures shown on the consolidated statement of income due to inter-segment 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 AND LOWER-OF-COST-OR-MARKET INVENTORY ADJUSTMENTS TO GAAP MEASURES
(Unaudited, in thousands except per unit amounts)

	Three Months Ended December 31, 2015		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 207,123	$ 0.91	$ 0.91
Unrealized derivative gains associated with future physical product sales	(14,674)	(0.07)	(0.07)
Lower-of-cost-or-market adjustments associated with future physical product transactions	4,360	0.02	0.02
Excluding commodity-related adjustments*	$ 196,809	$ 0.86	$ 0.86
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	227,583		
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	228,439		

* 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 December 31, 2014	Three Months Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2015	2016 Guidance
Net income	$ 252,085	$ 207,123	$ 839,519	$ 819,122	$ 730,000
Interest expense, net	33,607	35,198	121,519	143,177	167,000
Depreciation and amortization	39,279	42,632	161,741	166,812	177,000
Equity-based incentive compensation (1)	9,553	9,019	12,471	6,461	5,000
Loss on sale and retirement of assets	2,393	3,493	7,223	7,871	8,000
Commodity-related adjustments:					
Derivative gains recognized in the period associated with future product transactions (2)	(75,939)	(14,674)	(87,511)	(47,780)	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period (3)	17,120	21,076	(8,086)	96,084	
Lower-of-cost-or-market adjustments (4)	36,856	4,360	39,309	(34,316)	
Total commodity-related adjustments	(21,963)	10,762	(56,288)	13,988	47,000
Cash distributions received from non-controlled entities in excess of/(less than) earnings for the period	(12,217)	7,032	(8,724)	14,572	20,000
Adjusted EBITDA	302,737	315,259	1,077,461	1,172,003	1,154,000
Interest expense, net, excluding debt issuance cost amortization(5)	(33,041)	(34,352)	(119,186)	(140,464)	(164,000)
Maintenance capital (6)	(21,641)	(24,010)	(77,806)	(88,685)	(90,000)
Distributable cash flow	$ 248,055	$ 256,897	$ 880,469	$ 942,854	$ 900,000
Distributable cash flow per limited partner unit receiving distributions related to this period	$ 1.09	$ 1.13	$ 3.88	$ 4.14	$ 3.95
Weighted average number of limited partner units receiving distributions related to this period	227,426	227,781	227,158	227,516	227,781

(1) 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 ("DCF") purposes. Total equity-based incentive compensation expense for the year ended December 31, 2014 and 2015 was $27.3 million and $24.3 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2014 and 2015 of $14.8 million and $17.8 million, respectively, for equity-based incentive compensation units that vested on the previous year end, which reduce DCF.

(2) 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 it uses to hedge its crude oil tank bottoms and linefill assets 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 hedged products are physically sold, the net impact of the associated hedges is included in the partnership's determination of DCF.

(3) When the partnership physically sells products that it has economically hedged (but were not designated as hedges for accounting purposes), the partnership includes in its DCF calculations the full amount of the gain or loss realized on the economic hedges in the period that the underlying product sales occur.

(4) The partnership adds the amount of lower-of-cost-or-market ("LCM") adjustments on inventory and firm purchase commitments it recognizes 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.

(5) In 2015, the partnership adopted Accounting Standards Update No. 2015-03, Interest: *Simplifying the Presentation of Debt Issuance Costs.* Under this new accounting standard, the partnership has reclassified debt issuance cost amortization expense as interest expense. The partnership has added back debt issuance cost amortization expense included in interest expense for purposes of calculating DCF as follows: For the three months ended December 31, 2014 and 2015, $0.6 million and $0.8 million, respectively, and for the twelve months ended December 31, 2014 and 2015, $2.3 million and $2.7 million, respectively.

(6) 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.