

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,	
	2012	2013	2012	2013
Transportation and terminals revenue	\$ 248,937	\$ 333,269	\$ 970,744	\$ 1,138,328
Product sales revenue	252,906	240,184	799,382	744,669
Affiliate management fee revenue	1,352	3,985	1,948	14,609
Total revenue	503,195	577,438	1,772,074	1,897,606
Costs and expenses:				
Operating.....	74,404	100,212	328,454	346,070
Cost of product sales.....	178,179	182,004	657,108	578,029
Depreciation and amortization.....	33,324	36,442	128,012	142,230
General and administrative	32,694	36,423	109,403	132,496
Total costs and expenses.....	318,601	355,081	1,222,977	1,198,825
Earnings (loss) of non-controlled entities	(1,914)	1,113	2,961	6,275
Operating profit	182,680	223,470	552,058	705,056
Interest expense	30,627	35,168	117,981	130,463
Interest income	(27)	(92)	(107)	(342)
Interest capitalized.....	(2,864)	(3,865)	(6,195)	(14,339)
Debt placement fee amortization expense.....	531	804	2,087	2,424
Income before provision for income taxes.....	154,413	191,455	438,292	586,850
Provision for income taxes.....	610	1,448	2,622	4,613
Net income.....	<u>\$ 153,803</u>	<u>\$ 190,007</u>	<u>\$ 435,670</u>	<u>\$ 582,237</u>
Basic net income per limited partner unit	<u>\$ 0.68</u>	<u>\$ 0.84</u>	<u>\$ 1.92</u>	<u>\$ 2.57</u>
Diluted net income per limited partner unit	<u>\$ 0.68</u>	<u>\$ 0.83</u>	<u>\$ 1.92</u>	<u>\$ 2.56</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>226,434</u>	<u>226,879</u>	<u>226,369</u>	<u>226,829</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>227,383</u>	<u>227,928</u>	<u>226,608</u>	<u>227,094</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2013	2012	2013
Refined products:				
Transportation revenue per barrel shipped.....	\$ 1.220	\$ 1.418	\$ 1.230	\$ 1.313
Volume shipped (million barrels):				
Gasoline.....	59.9	65.0	223.7	239.7
Distillates.....	36.8	41.1	136.7	146.5
Aviation fuel.....	4.8	5.7	21.5	21.1
Liquefied petroleum gases	0.6	0.6	8.5	7.8
Total volume shipped.....	102.1	112.4	390.4	415.1
Crude oil:				
Transportation revenue per barrel shipped.....	\$ 0.322	\$ 1.088	\$ 0.305	\$ 0.880
Volume shipped (million barrels).....	20.6	40.6	72.0	113.2
Crude oil terminal average utilization (million barrels per month).....	12.8	12.0	12.6	12.3
Marine storage:				
Marine terminal average utilization (million barrels per month).....	23.5	23.3	23.8	23.0

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2013	2012	2013
Refined products:				
Transportation and terminals revenue.....	\$ 185,023	\$ 227,513	\$ 723,835	\$ 801,128
Less: Operating expenses.....	63,630	75,800	267,694	270,711
Transportation and terminals margin.....	121,393	151,713	456,141	530,417
Product sales revenue.....	250,682	238,986	790,116	738,271
Less: Cost of product sales.....	177,590	181,516	653,429	574,703
Product margin.....	73,092	57,470	136,687	163,568
Operating margin.....	<u>\$ 194,485</u>	<u>\$ 209,183</u>	<u>\$ 592,828</u>	<u>\$ 693,985</u>
Crude oil:				
Transportation and terminals revenue.....	\$ 24,662	\$ 64,504	\$ 92,288	\$ 178,409
Less: Operating expenses.....	1,183	5,963	5,229	19,131
Transportation and terminals margin.....	23,479	58,541	87,059	159,278
Affiliate management fee revenue.....	1,138	3,594	1,734	13,361
Earnings (loss) of non-controlled entities.....	(2,339)	526	2,574	3,781
Operating margin.....	<u>\$ 22,278</u>	<u>\$ 62,661</u>	<u>\$ 91,367</u>	<u>\$ 176,420</u>
Marine storage:				
Transportation and terminals revenue.....	\$ 39,252	\$ 41,252	\$ 154,621	\$ 158,791
Less: Operating expenses.....	10,444	19,347	58,486	59,407
Transportation and terminals margin.....	28,808	21,905	96,135	99,384
Product sales revenue.....	2,224	1,198	9,266	6,398
Less: Cost of product sales.....	589	488	3,679	3,326
Product margin.....	1,635	710	5,587	3,072
Affiliate management fee revenue.....	214	391	214	1,248
Earnings of non-controlled entities.....	425	587	387	2,494
Operating margin.....	<u>\$ 31,082</u>	<u>\$ 23,593</u>	<u>\$ 102,323</u>	<u>\$ 106,198</u>
Segment operating margin.....	\$ 247,845	\$ 295,437	\$ 786,518	\$ 976,603
Add: Allocated corporate depreciation costs.....	853	898	2,955	3,179
Total operating margin.....	248,698	296,335	789,473	979,782
Less:				
Depreciation and amortization expense.....	33,324	36,442	128,012	142,230
General and administrative expense.....	32,694	36,423	109,403	132,496
Total operating profit.....	<u>\$ 182,680</u>	<u>\$ 223,470</u>	<u>\$ 552,058</u>	<u>\$ 705,056</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		
	December 31, 2013		
	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
As reported	\$ 190,007	\$ 0.84	\$ 0.83
Add: Unrealized derivative losses associated with future physical product transactions	12,820	0.06	0.06
Deduct: Lower-of-cost-or-market inventory adjustment.....	(1,506)	(0.01)	(0.01)
Excluding commodity-related adjustments	\$ 201,321	\$ 0.89	\$ 0.88
 Weighted average number of limited partner units outstanding used for basic net income per unit calculation	 226,879		
 Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	 227,928		

*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		2014 Guidance
	December 31,		December 31,		
	2012	2013	2012	2013	
Net income	\$ 153,803	\$ 190,007	\$ 435,670	\$ 582,237	\$ 658,000
Interest expense, net.....	27,736	31,211	111,679	115,782	128,000
Depreciation and amortization ⁽¹⁾	33,855	37,246	130,099	144,654	150,000
Equity-based incentive compensation ⁽²⁾	8,481	9,584	8,038	11,823	4,000
Asset retirements and impairments.....	2,047	3,566	12,622	7,835	6,000
Commodity-related adjustments:					
Derivative (gains) losses recognized in the period associated with future product transactions ⁽³⁾	(26)	12,820	6,424	8,086	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	(1,629)	2,896	3,649	(6,425)	
Lower-of-cost-or-market adjustments.....	2,000	(1,506)	983	(2,000)	
Houston-to-El Paso cost of sales adjustments ⁽⁵⁾	(6,389)	—	1,838	—	
Total commodity-related adjustments ...	(6,044)	14,210	12,894	(339)	(8,000)
Other.....	4,413	2,519	4,850	(409)	(3,000)
Adjusted EBITDA	<u>224,291</u>	<u>288,343</u>	<u>715,852</u>	<u>861,583</u>	<u>935,000</u>
Interest expense, net.....	(27,736)	(31,211)	(111,679)	(115,782)	(128,000)
Maintenance capital.....	(17,202)	(20,562)	(64,396)	(76,081)	(77,000)
Distributable cash flow	<u>\$ 179,353</u>	<u>\$ 236,570</u>	<u>\$ 539,777</u>	<u>\$ 669,720</u>	<u>\$ 730,000</u>
Distributable cash flow per limited partner unit paid distributions related to this period....	<u>\$ 0.79</u>	<u>\$ 1.04</u>	<u>\$ 2.39</u>	<u>\$ 2.95</u>	<u>\$ 3.21</u>
Weighted average number of limited partner units paid distributions related to this period...	<u>226,679</u>	<u>227,068</u>	<u>226,321</u>	<u>226,777</u>	<u>227,068</u>

⁽¹⁾ Depreciation and amortization includes debt placement fee amortization.

⁽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, 2012 and 2013 was \$21.0 million and \$24.1 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2012 and 2013 of \$13.0 million and \$12.3 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⁾ Cost of goods sold adjustment related to commodity activities for the partnership's Houston-to-El Paso pipeline to more closely resemble current market prices for the applicable period for distributable cash flow purposes rather than average inventory costing as used to determine the partnership's results of operations. We discontinued these commodity activities during 2012 in conjunction with the Longhorn crude pipeline project.