

**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,	
	2010	2011	2010	2011
Transportation and terminals revenues	\$ 206,727	\$ 232,064	\$ 573,069	\$ 660,664
Product sales revenues	199,284	203,253	585,318	600,492
Affiliate management fee revenue	190	193	569	578
Total revenues	<u>406,201</u>	<u>435,510</u>	<u>1,158,956</u>	<u>1,261,734</u>
Costs and expenses:				
Operating	87,584	89,458	219,980	233,142
Product purchases	186,993	159,550	503,516	489,616
Depreciation and amortization	27,403	30,234	79,460	90,261
General and administrative	23,624	20,470	67,044	70,341
Total costs and expenses	<u>325,604</u>	<u>299,712</u>	<u>870,000</u>	<u>883,360</u>
Equity earnings	<u>1,654</u>	<u>1,955</u>	<u>4,323</u>	<u>4,765</u>
Operating profit	82,251	137,753	293,279	383,139
Interest expense	25,316	27,332	69,611	79,806
Interest income	(74)	(11)	(85)	(22)
Interest capitalized	(884)	(665)	(2,535)	(2,526)
Debt placement fee amortization expense	358	410	1,015	1,180
Other expense	750	—	750	—
Income before provision for income taxes	<u>56,785</u>	<u>110,687</u>	<u>224,523</u>	<u>304,701</u>
Provision for income taxes	<u>148</u>	<u>447</u>	<u>900</u>	<u>1,397</u>
Net income	<u>\$ 56,637</u>	<u>\$ 110,240</u>	<u>\$ 223,623</u>	<u>\$ 303,304</u>
Allocation of net income (loss):				
Non-controlling owners' interest	\$ (154)	\$ —	\$ (222)	\$ (63)
Limited partners' interest	<u>56,791</u>	<u>110,240</u>	<u>223,845</u>	<u>303,367</u>
Net income	<u>\$ 56,637</u>	<u>\$ 110,240</u>	<u>\$ 223,623</u>	<u>\$ 303,304</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.51</u>	<u>\$ 0.98</u>	<u>\$ 2.06</u>	<u>\$ 2.69</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>111,522</u>	<u>112,864</u>	<u>108,437</u>	<u>112,825</u>

**MAGELLAN MIDSTREAM PARTNERS, L.P.**  
**OPERATING STATISTICS**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2011	2010	2011
<b>Petroleum pipeline system:</b>				
Transportation revenue per barrel shipped	\$ 1.155	\$ 1.118	\$ 1.222	\$ 1.088
Volume shipped (million barrels):				
Refined products:				
Gasoline	53.2	48.4	135.3	153.1
Distillates	32.6	36.5	85.8	99.0
Aviation fuel	6.5	7.5	16.5	20.3
Liquefied petroleum gases	1.3	1.4	4.4	4.5
Crude oil	3.9	12.6	3.9	29.8
Total volume shipped	97.5	106.4	245.9	306.7
<b>Petroleum terminals:</b>				
Storage terminal average utilization (million barrels per month)	25.6	33.1	24.4	31.4
Inland terminal throughput (million barrels)	30.2	29.4	86.6	86.3
<b>Ammonia pipeline system:</b>				
Volume shipped (thousand tons)	20	134	298	546

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2011	2010	2011
<b>Petroleum pipeline system:</b>				
Transportation and terminals revenues	\$ 156,652	\$ 167,500	\$ 421,028	\$ 472,730
Less: Operating expenses	56,941	61,075	149,211	150,522
Transportation and terminals margin	99,711	106,425	271,817	322,208
Product sales revenues	195,177	197,932	570,366	577,811
Less: Product purchases	186,023	157,356	499,066	483,369
Product margin	9,154	40,576	71,300	94,442
Add: Affiliate management fee revenue	190	193	569	578
Equity earnings	1,654	1,954	4,323	4,764
Operating margin	<u>\$ 110,709</u>	<u>\$ 149,148</u>	<u>\$ 348,009</u>	<u>\$ 421,992</u>
<b>Petroleum terminals:</b>				
Transportation and terminals revenues	\$ 49,905	\$ 60,621	\$ 144,010	\$ 172,811
Less: Operating expenses	23,044	22,780	57,679	71,403
Transportation and terminals margin	26,861	37,841	86,331	101,408
Product sales revenues	4,233	5,887	15,106	23,445
Less: Product purchases	1,597	3,461	6,120	9,319
Product margin	2,636	2,426	8,986	14,126
Equity earnings	—	1	—	1
Operating margin	<u>\$ 29,497</u>	<u>\$ 40,268</u>	<u>\$ 95,317</u>	<u>\$ 115,535</u>
<b>Ammonia pipeline system:</b>				
Transportation and terminals revenues	\$ 671	\$ 4,644	\$ 9,547	\$ 17,431
Less: Operating expenses	8,242	6,349	15,458	13,406
Operating margin (loss)	<u>\$ (7,571)</u>	<u>\$ (1,705)</u>	<u>\$ (5,911)</u>	<u>\$ 4,025</u>
Segment operating margin	\$ 132,635	\$ 187,711	\$ 437,415	\$ 541,552
Add: Allocated corporate depreciation costs	643	746	2,368	2,189
Total operating margin	133,278	188,457	439,783	543,741
Less:				
Depreciation and amortization expense	27,403	30,234	79,460	90,261
General and administrative expense	23,624	20,470	67,044	70,341
Total operating profit	<u>\$ 82,251</u>	<u>\$ 137,753</u>	<u>\$ 293,279</u>	<u>\$ 383,139</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 MEASURE**  
(Unaudited, in thousands except per unit amounts)

	<b>Three Months Ended</b>	
	<b>September 30, 2011</b>	
	<b>Net Income</b>	<b>Basic and Diluted Net Income Per Limited Partner Unit</b>
<b>As reported</b>	\$ 110,240	\$ 0.98
Deduct: Unrealized derivative gains associated with future physical product transactions	(24,098)	(0.21)
Add: Lower-of-cost-or-market adjustments	2,984	0.02
Excluding commodity-related adjustments	\$ 89,126	\$ 0.79
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	112,864	

**MAGELLAN MIDSTREAM PARTNERS, L.P.**  
**DISTRIBUTABLE CASH FLOW RECONCILIATION TO NET INCOME**  
(Unaudited, in thousands)

	Three Months Ended		Nine Months Ended		2011 Guidance
	September 30,		September 30		
	2010	2011	2010	2011	
<b>Net income</b>	\$ 56,637	\$ 110,240	\$ 223,623	\$ 303,304	\$ 408,000
Depreciation and amortization <sup>(1)</sup>	27,761	30,644	80,475	91,441	124,000
Equity-based incentive compensation <sup>(2)</sup>	4,573	2,719	8,082	4,319	8,000
Asset retirements and impairments	1,389	423	107	7,529	8,000
Commodity-related adjustments:					
Derivative losses/(gains) recognized in the period associated with future product transactions <sup>(3)</sup>	8,343	(24,098)	(7,663)	(25,318)	
Derivative (losses)/gains recognized in previous periods associated with product sales completed in the period <sup>(4)</sup>	2,166	(13,675)	(2,195)	(15,697)	
Lower-of-cost-or-market adjustments	(4,889)	2,984	293	2,984	
Houston-to-El Paso cost of sales adjustments <sup>(5)</sup>	2,178	4,301	(2,055)	386	
Total commodity-related adjustments	7,798	(30,488)	(11,620)	(37,645)	(30,000)
Maintenance capital	(11,909)	(18,915)	(26,932)	(38,285)	(70,000)
Other	(495)	(651)	(2,074)	(1,390)	(3,000)
Distributable cash flow	<u>\$ 85,754</u>	<u>\$ 93,972</u>	<u>\$ 271,661</u>	<u>\$ 329,273</u>	<u>\$ 445,000</u>
Distributable cash flow per limited partner unit	<u>\$ 0.76</u>	<u>\$ 0.83</u>	<u>\$ 2.50</u>	<u>\$ 2.92</u>	<u>\$ 3.95</u>
Weighted average number of limited partner units paid distributions	<u>112,481</u>	<u>112,737</u>	<u>108,648</u>	<u>112,737</u>	<u>112,800</u>

<sup>(1)</sup> Depreciation and amortization includes debt placement fee amortization.

<sup>(2)</sup> 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, 2010 and 2011 was \$11.5 million and \$11.7 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2010 and 2011 of \$3.4 million and \$7.4 million, respectively, for equity-based incentive compensation units that vested on the previous year end, which reduce distributable cash flow.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Cost of goods sold adjustment related to transitional commodity activities for the partnership's Houston-to-El Paso pipeline to more closely resemble current market prices for distributable cash flow purposes rather than average inventory costing as used to determine the partnership's results of operations.