

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Transportation and terminals revenues	\$ 166,703	\$ 193,173	\$ 321,723	\$ 366,342
Product sales revenues	41,327	229,698	99,043	386,034
Affiliate management fee revenue	190	189	380	379
Total revenues	208,220	423,060	421,146	752,755
Costs and expenses:				
Operating	60,848	70,287	121,315	132,396
Product purchases	40,990	183,639	93,620	316,523
Depreciation and amortization	23,163	25,715	46,315	52,057
General and administrative	20,248	20,178	41,384	43,420
Total costs and expenses	145,249	299,819	302,634	544,396
Equity earnings	939	1,480	1,458	2,669
Operating profit	63,910	124,721	119,970	211,028
Interest expense	15,809	22,521	31,361	44,295
Interest income	(206)	(7)	(427)	(11)
Interest capitalized	(942)	(803)	(1,878)	(1,651)
Debt placement fee amortization expense	224	329	444	657
Other income	(565)	—	(647)	—
Income before provision for income taxes	49,590	102,681	91,117	167,738
Provision for income taxes	452	229	809	752
Net income	<u>\$ 49,138</u>	<u>\$ 102,452</u>	<u>\$ 90,308</u>	<u>\$ 166,986</u>
Allocation of net income:				
Non-controlling owners' interest	\$ 34,527	\$ (68)	\$ 63,675	\$ (68)
Limited partners' interest	14,611	102,520	26,633	167,054
Net income	<u>\$ 49,138</u>	<u>\$ 102,452</u>	<u>\$ 90,308</u>	<u>\$ 166,986</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.37</u>	<u>\$ 0.96</u>	<u>\$ 0.67</u>	<u>\$ 1.56</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>39,639</u>	<u>106,896</u>	<u>39,638</u>	<u>106,869</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	\$ 1.202	\$ 1.304	\$ 1.174	\$ 1.265
Volume shipped (million barrels).....	73.9	78.7	145.6	148.4
Petroleum products terminals:				
Marine terminal average storage utilized (million barrels per month).....	23.6	23.8	23.1	23.8
Inland terminal throughput (million barrels).....	27.9	30.3	53.9	56.4
Ammonia pipeline system:				
Volume shipped (thousand tons).....	171	111	295	278

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 122,006	\$ 141,461	\$ 236,907	\$ 264,376
Less: Operating expenses.....	43,557	49,450	86,557	92,270
Transportation and terminals margin.....	78,449	92,011	150,350	172,106
Product sales revenues.....	37,892	222,963	92,124	375,189
Less: Product purchases.....	39,914	182,267	91,502	313,043
Product margin.....	(2,022)	40,696	622	62,146
Add: Affiliate management fee revenue.....	190	189	380	379
Equity earnings.....	939	1,480	1,458	2,669
Operating margin.....	<u>\$ 77,556</u>	<u>\$ 134,376</u>	<u>\$ 152,810</u>	<u>\$ 237,300</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 39,968	\$ 48,446	\$ 77,374	\$ 94,105
Less: Operating expenses.....	15,024	18,262	30,361	34,635
Transportation and terminals margin.....	24,944	30,184	47,013	59,470
Product sales revenues.....	3,435	6,763	6,919	10,873
Less: Product purchases.....	1,570	1,917	3,106	4,523
Product margin.....	1,865	4,846	3,813	6,350
Operating margin.....	<u>\$ 26,809</u>	<u>\$ 35,030</u>	<u>\$ 50,826</u>	<u>\$ 65,820</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 5,248	\$ 3,783	\$ 8,477	\$ 8,876
Less: Operating expenses.....	3,227	3,235	6,340	7,216
Operating margin.....	<u>\$ 2,021</u>	<u>\$ 548</u>	<u>\$ 2,137</u>	<u>\$ 1,660</u>
Segment operating margin.....	\$ 106,386	\$ 169,954	\$ 205,773	\$ 304,780
Add: Allocated corporate depreciation costs.....	935	660	1,896	1,725
Total operating margin.....	107,321	170,614	207,669	306,505
Less: Depreciation and amortization.....	23,163	25,715	46,315	52,057
General and administrative.....	20,248	20,178	41,384	43,420
Total operating profit.....	<u>\$ 63,910</u>	<u>\$ 124,721</u>	<u>\$ 119,970</u>	<u>\$ 211,028</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.
NET INCOME AND NET INCOME PER LIMITED PARTNER UNIT
EXCLUDING MARK-TO-MARKET COMMODITY-RELATED PRICING ADJUSTMENTS
(Unaudited, in thousands except per unit amounts)

	Three Months Ended June 30, 2010	
	Net Income	Basic and Diluted Net Income Per Limited Partner Unit
As reported	\$ 102,452	\$ 0.96
Add: Lower-of-cost-or-market inventory adjustments	5,183	0.05
Deduct: Unrealized NYMEX gains associated with future physical product sales	(15,901)	(0.15)
Excluding mark-to-market commodity-related pricing adjustments	\$ 91,734	\$ 0.86
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	106,896	

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

	Three Months Ended June 30,		Six Months Ended June 30,		2010
	2009	2010	2009	2010	Guidance
Net income	\$ 49.1	\$ 102.5	\$ 90.3	\$ 167.0	\$ 299
Add: Depreciation and amortization ⁽¹⁾	23.4	26.0	46.8	52.7	112
Equity-based incentive compensation ⁽²⁾	2.0	1.9	1.7	3.5	7
Direct charges to general partner	0.7	—	1.5	—	—
Asset retirements and impairments	0.9	0.3	2.2	(1.3)	2
Commodity-related adjustments ⁽³⁾	17.4	(20.1)	31.1	(19.5)	(12)
Less: Maintenance capital	9.9	9.0	20.3	15.0	45
Other	0.4	0.9	(0.6)	1.5	3
Distributable cash flow ⁽⁴⁾	<u>\$ 83.2</u>	<u>\$ 100.7</u>	<u>\$ 153.9</u>	<u>\$ 185.9</u>	<u>\$ 360</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 six months ended June 30, 2009 and 2010 was \$5.2 million and \$6.9 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings taxes paid by the partnership in 2009 and 2010 of \$3.5 million and \$3.4 million, respectively, for equity-based incentive compensation units that vested on the previous year end.

⁽³⁾ Represents adjustments to the partnership's commodity-related activities to more closely follow the cash impact of settled transactions. Commodity-related adjustments include the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
NYMEX contract gains/(losses) recognized in previous periods	\$ 3.5	\$ (3.8)	\$ 20.2	\$ (2.0)
NYMEX contract (gains)/losses recognized in the current period that are associated with future physical product sales.	15.7	(22.3)	17.3	(18.4)
Lower-of-cost-or-market adjustments	(1.8)	5.2	(6.4)	5.1
Cost of goods sold adjustment related to transitional commodity activities for the Houston-to-El Paso pipeline to more closely resemble current market prices for distributable cash flow purposes rather than average inventory costing for the income statement.	—	0.8	—	(4.2)
Total commodity-related adjustments	<u>\$ 17.4</u>	<u>\$ (20.1)</u>	<u>\$ 31.1</u>	<u>\$ (19.5)</u>

⁽⁴⁾ Distributable cash flow does not include fluctuations related to working capital.