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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	**2011**	**2010**	**2011**
Transportation and terminals revenues	$ 220,530	$ 232,705	$ 793,599	$ 893,369
Product sales revenues	177,772	254,036	763,090	854,528
Affiliate management fee revenue	189	192	758	770
Total revenues	398,491	486,933	1,557,447	1,748,667
Costs and expenses:				
Operating	62,232	73,273	282,212	306,415
Product purchases	165,069	216,654	668,585	706,270
Depreciation and amortization	29,208	30,918	108,668	121,179
General and administrative	28,272	28,328	95,316	98,669
Total costs and expenses	284,781	349,173	1,154,781	1,232,533
Equity earnings	1,409	1,998	5,732	6,763
Operating profit	115,119	139,758	408,398	522,897
Interest expense	26,768	29,063	96,379	108,869
Interest income	(55)	(39)	(140)	(61)
Interest capitalized	(408)	(648)	(2,943)	(3,174)
Debt placement fee amortization expense	386	651	1,401	1,831
Other expense	—	—	750	—
Income before provision for income taxes	88,428	110,731	312,951	415,432
Provision for income taxes	471	469	1,371	1,866
Net income	$ 87,957	$ 110,262	$ 311,580	$ 413,566
Allocation of net income (loss):				
Noncontrolling owners' interests	$ (175)	$ —	$ (397)	$ (63)
Limited partners' interest	88,132	110,262	311,977	413,629
Net income	$ 87,957	$ 110,262	$ 311,580	$ 413,566
Basic net income per limited partner unit	$ 0.78	$ 0.98	$ 2.85	$ 3.67
Diluted net income per limited partner unit	$ 0.78	$ 0.97	$ 2.85	$ 3.66
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	112,596	112,874	109,485	112,837
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	112,895	113,468	109,561	112,987

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	**2011**	**2010**	**2011**
Petroleum pipeline system:				
Transportation revenue per barrel shipped	$ 1.026	$ 1.067	$ 1.160	$ 1.082
Volume shipped (million barrels):				
Refined products:				
Gasoline	59.0	55.8	194.3	208.9
Distillates	37.1	37.0	122.9	136.0
Aviation fuel	6.1	5.0	22.6	25.3
Liquefied petroleum gases	0.6	0.4	5.0	4.9
Crude oil	10.8	13.4	14.7	43.2
Total volume shipped	113.6	111.6	359.5	418.3
Petroleum terminals:				
Storage terminal average utilization (million barrels per month)	29.9	34.2	25.8	32.1
Inland terminal throughput (million barrels)	28.1	29.3	114.7	115.6
Ammonia pipeline system:				
Volume shipped (thousand tons)	164	181	462	727

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

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2010	Twelve Months Ended December 31, 2011
Petroleum pipeline system:				
Transportation and terminals revenues	$ 162,949	$ 165,034	$ 583,977	$ 637,764
Less: Operating expenses	41,760	49,411	190,971	199,933
Transportation and terminals margin	121,189	115,623	393,006	437,831
Product sales revenues	174,246	246,952	744,612	824,763
Less: Product purchases	164,261	214,558	663,327	697,927
Product margin	9,985	32,394	81,285	126,836
Add: Affiliate management fee revenue	189	192	758	770
Equity earnings	1,409	1,997	5,732	6,761
Operating margin	$ 132,772	$ 150,206	$ 480,781	$ 572,198
Petroleum terminals:				
Transportation and terminals revenues	$ 52,709	$ 62,154	$ 196,719	$ 234,965
Less: Operating expenses	17,493	21,628	75,172	93,031
Transportation and terminals margin	35,216	40,526	121,547	141,934
Product sales revenues	3,644	7,730	18,750	31,175
Less: Product purchases	1,429	3,442	7,549	12,761
Product margin	2,215	4,288	11,201	18,414
Equity earnings	—	1	—	2
Operating margin	$ 37,431	$ 44,815	$ 132,748	$ 160,350
Ammonia pipeline system:				
Transportation and terminals revenues	$ 5,375	$ 6,217	$ 14,922	$ 23,648
Less: Operating expenses	3,620	2,963	19,078	16,369
Operating margin (loss)	$ 1,755	$ 3,254	$ (4,156)	$ 7,279
Segment operating margin	$ 171,958	$ 198,275	$ 609,373	$ 739,827
Add: Allocated corporate depreciation costs	641	729	3,009	2,918
Total operating margin	172,599	199,004	612,382	742,745
Less:				
Depreciation and amortization expense	29,208	30,918	108,668	121,179
General and administrative expense	28,272	28,328	95,316	98,669
Total operating profit	$ 115,119	$ 139,758	$ 408,398	$ 522,897

Note: Amounts may not sum to figures shown on the consolidated statements 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)

	Three Months Ended December 31, 2011		
	Net Income	**Basic Net Income Per Limited Partner Unit**	**Diluted Net Income Per Limited Partner Unit**
As reported	$ 110,262	$ 0.98	$ 0.97
Add: Unrealized derivative losses associated with future physical product transactions	7,925	0.07	0.07
Deduct: Lower-of-cost-or-market adjustments	(1,967)	(0.02)	(0.02)
Excluding commodity-related adjustments	$ 116,220	$ 1.03	$ 1.02
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation		112,874	113,468

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

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2010	Twelve Months Ended December 31, 2011	2012 Guidance
Net income	$ 87,957	$ 110,262	$ 311,580	$ 413,566	$ 425,000
Depreciation and amortization [1]	29,594	31,569	110,069	123,010	124,000
Equity-based incentive compensation [2]	7,417	5,924	15,499	10,243	2,000
Asset retirements and impairments	955	1,070	1,062	8,599	5,000
Commodity-related adjustments:					
Derivative losses/(gains) recognized in the period associated with future product transactions [3]	17,399	7,925	14,945	(5,909)	
Derivative (losses)/gains recognized in previous periods associated with product sales completed in the period [4]	(271)	12,019	(7,675)	(15,162)	
Lower-of-cost-or-market adjustments	(290)	(1,967)	3	1,017	
Houston-to-El Paso cost of sales adjustments[5]	2,533	(2,702)	478	(2,316)	
Total commodity-related adjustments	19,371	15,275	7,751	(22,370)	(6,000)
Maintenance capital	(17,688)	(31,717)	(44,620)	(70,002)	(70,000)
Other	492	(1,114)	(1,582)	(2,504)	—
Distributable cash flow	$ 128,098	$ 131,269	$ 399,759	$ 460,542	$ 480,000
Distributable cash flow per limited partner unit	$ 1.14	$ 1.16	$ 3.60	$ 4.08	$ 4.24
Weighted average number of limited partner units paid distributions	112,737	113,100	111,108	112,828	113,100

(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 years ended December 31, 2010 and 2011 was $18.9 million and $17.6 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.

(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 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.