

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,	
	2011	2012	2011	2012
Transportation and terminals revenues	\$ 232,064	\$ 255,492	\$ 660,664	\$ 721,807
Product sales revenues	203,253	70,178	600,492	546,476
Affiliate management fee revenue	193	199	578	596
Total revenues	<u>435,510</u>	<u>325,869</u>	<u>1,261,734</u>	<u>1,268,879</u>
Costs and expenses:				
Operating	89,458	103,272	233,142	254,050
Product purchases	159,550	85,819	489,616	478,929
Depreciation and amortization	30,234	31,692	90,261	94,688
General and administrative	20,470	27,551	70,341	76,709
Total costs and expenses	<u>299,712</u>	<u>248,334</u>	<u>883,360</u>	<u>904,376</u>
Equity earnings	1,955	1,749	4,765	4,875
Operating profit	137,753	79,284	383,139	369,378
Interest expense	27,332	29,113	79,806	87,354
Interest income	(11)	(16)	(22)	(80)
Interest capitalized	(665)	(1,439)	(2,526)	(3,331)
Debt placement fee amortization expense	410	519	1,180	1,556
Income before provision for income taxes	<u>110,687</u>	<u>51,107</u>	<u>304,701</u>	<u>283,879</u>
Provision for income taxes	447	585	1,397	2,012
Net income	<u>\$ 110,240</u>	<u>\$ 50,522</u>	<u>\$ 303,304</u>	<u>\$ 281,867</u>
Allocation of net income (loss):				
Limited partners' interest	\$ 110,240	\$ 50,522	\$ 303,367	\$ 281,867
Non-controlling owners' interest	<u>—</u>	<u>—</u>	<u>(63)</u>	<u>—</u>
Net income	<u>\$ 110,240</u>	<u>\$ 50,522</u>	<u>\$ 303,304</u>	<u>\$ 281,867</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.49</u>	<u>\$ 0.22</u>	<u>\$ 1.34</u>	<u>\$ 1.25</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>225,728</u>	<u>226,431</u>	<u>225,649</u>	<u>226,348</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2012	2011	2012
Petroleum pipeline system:				
Transportation revenue per barrel shipped	\$ 1.118	\$ 1.088	\$ 1.088	\$ 1.091
Volume shipped (million barrels):				
Refined products:				
Gasoline	48.4	61.8	153.1	163.8
Distillates	36.5	36.5	99.0	99.9
Aviation fuel	7.5	5.9	20.3	16.7
Liquefied petroleum gases	1.4	3.2	4.5	7.9
Crude oil	12.6	19.3	29.8	51.4
Total volume shipped	106.4	126.7	306.7	339.7
Petroleum terminals:				
Storage terminal average utilization (million barrels per month)	33.1	34.3	31.4	34.6
Inland terminal throughput (million barrels)	29.4	29.7	86.3	87.7
Ammonia pipeline system:				
Volume shipped (thousand tons)	134	210	546	592

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2012	2011	2012
Petroleum pipeline system:				
Transportation and terminals revenues	\$ 167,500	\$ 185,575	\$ 472,730	\$ 513,062
Less: Operating expenses	61,075	70,526	150,522	173,457
Transportation and terminals margin	106,425	115,049	322,208	339,605
Product sales revenues	197,932	63,065	577,811	522,362
Less: Product purchases	157,356	82,335	483,369	468,026
Product margin	40,576	(19,270)	94,442	54,336
Add: Affiliate management fee revenue	193	199	578	596
Equity earnings	1,954	1,756	4,764	4,919
Operating margin	<u>\$ 149,148</u>	<u>\$ 97,734</u>	<u>\$ 421,992</u>	<u>\$ 399,456</u>
Petroleum terminals:				
Transportation and terminals revenues	\$ 60,621	\$ 62,961	\$ 172,811	\$ 190,194
Less: Operating expenses	22,780	29,777	71,403	74,399
Transportation and terminals margin	37,841	33,184	101,408	115,795
Product sales revenues	5,887	7,114	23,445	24,578
Less: Product purchases	3,461	4,191	9,319	13,486
Product margin	2,426	2,923	14,126	11,092
Equity earnings	1	(7)	1	(44)
Operating margin	<u>\$ 40,268</u>	<u>\$ 36,100</u>	<u>\$ 115,535</u>	<u>\$ 126,843</u>
Ammonia pipeline system:				
Transportation and terminals revenues	\$ 4,644	\$ 7,662	\$ 17,431	\$ 20,670
Less: Operating expenses	6,349	3,667	13,406	8,296
Operating margin	<u>\$ (1,705)</u>	<u>\$ 3,995</u>	<u>\$ 4,025</u>	<u>\$ 12,374</u>
Segment operating margin	\$ 187,711	\$ 137,829	\$ 541,552	\$ 538,673
Add: Allocated corporate depreciation costs	746	698	2,189	2,102
Total operating margin	188,457	138,527	543,741	540,775
Less:				
Depreciation and amortization expense	30,234	31,692	90,261	94,688
General and administrative expense	20,470	27,551	70,341	76,709
Total operating profit	<u>\$ 137,753</u>	<u>\$ 79,284</u>	<u>\$ 383,139</u>	<u>\$ 369,378</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 OPERATING PROFIT, 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	
	September 30,	
	2011	2012
Operating profit, as reported	\$ 137,753	\$ 79,284
Commodity-related adjustments:*		
Derivative losses/(gains) recognized in the period associated with future product transactions	(24,098)	33,562
Derivative losses recognized in previous periods associated with product sales completed in the period	(13,675)	238
Lower-of-cost-or-market adjustments	2,984	(4,106)
Houston-to-El Paso cost of sales adjustments	4,301	106
Operating profit, excluding commodity-related adjustments	<u>\$ 107,265</u>	<u>\$ 109,084</u>

	Three Months Ended		Three Months Ended	
	September 30, 2011		September 30, 2012	
	Net Income	Basic and Diluted Net Income Per Limited Partner Unit	Net Income	Basic and Diluted Net Income Per Limited Partner Unit
Net income, as reported	\$ 110,240	\$ 0.49	\$ 50,522	\$ 0.22
Commodity-related adjustments:*				
Derivative losses/(gains) recognized in the period associated with future product transactions	(24,098)	(0.11)	33,562	0.15
Derivative losses recognized in previous periods associated with product sales completed in the period	(13,675)	(0.06)	238	—
Lower-of-cost-or-market adjustments	2,984	0.01	(4,106)	(0.02)
Houston-to-El Paso cost of sales adjustments	4,301	0.02	106	—
Excluding commodity-related adjustments	<u>\$ 79,752</u>	<u>\$ 0.35</u>	<u>\$ 80,322</u>	<u>\$ 0.35</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>225,728</u>		<u>226,431</u>	

*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		Nine Months Ended		2012 Guidance
	September 30,		September 30,		
	2011	2012	2011	2012	
Net income	\$ 110,240	\$ 50,522	\$ 303,304	\$ 281,867	\$ 437,000
Interest expense, net	26,656	27,658	77,258	83,943	110,000
Depreciation and amortization ⁽¹⁾	30,644	32,211	91,441	96,244	130,000
Equity-based incentive compensation ⁽²⁾	2,719	5,548	4,319	(443)	5,000
Asset retirements and impairments	423	3,216	7,529	10,575	11,000
Commodity-related adjustments:					
Derivative losses/(gains) recognized in the period associated with future product transactions ⁽³⁾	(24,098)	33,562	(25,318)	18,409	
Derivative losses recognized in previous periods associated with product sales completed in the period ⁽⁴⁾	(13,675)	238	(15,697)	(6,681)	
Lower-of-cost-or-market adjustments	2,984	(4,106)	2,984	(1,017)	
Houston-to-El Paso cost of sales adjustments ⁽⁵⁾	4,301	106	386	8,227	
Total commodity-related adjustments	(30,488)	29,800	(37,645)	18,938	6,000
Other	(651)	(92)	(1,390)	437	1,000
Adjusted EBITDA	139,543	148,863	444,816	491,561	700,000
Interest expense, net	(26,656)	(27,658)	(77,258)	(83,943)	(110,000)
Maintenance capital	(18,915)	(20,484)	(38,285)	(47,194)	(65,000)
Distributable cash flow	<u>\$ 93,972</u>	<u>\$ 100,721</u>	<u>\$ 329,273</u>	<u>\$ 360,424</u>	<u>\$ 525,000</u>
Distributable cash flow per limited partner unit	<u>\$ 0.42</u>	<u>\$ 0.45</u>	<u>\$ 1.46</u>	<u>\$ 1.59</u>	<u>\$ 2.32</u>
Weighted average number of limited partner units paid distributions	<u>225,474</u>	<u>226,201</u>	<u>225,474</u>	<u>226,201</u>	<u>226,201</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 nine months ended September 30, 2011 and 2012 was \$11.7 million and \$12.6 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership in 2011 and 2012 of \$7.4 million and \$13.0 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 distributable cash flow purposes rather than average inventory costing as used to determine the partnership's results of operations.