

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,	
	2008	2009	2008	2009
Transportation and terminals revenues	\$ 166,955	\$ 183,718	\$ 638,810	\$ 678,945
Product sales revenues	134,473	169,346	574,095	334,465
Affiliate management fee revenue	184	191	733	761
Total revenues	301,612	353,255	1,213,638	1,014,171
Costs and expenses:				
Operating	71,026	62,457	264,871	257,635
Product purchases	94,184	138,769	436,567	280,291
Depreciation and amortization	22,654	26,288	86,501	97,216
General and administrative	18,198	22,663	73,302	84,049
Total costs and expenses	206,062	250,177	861,241	719,191
Gain on assignment of supply agreement	—	—	26,492	—
Equity earnings	563	605	4,067	3,431
Operating profit	96,113	103,683	382,956	298,411
Interest expense	16,038	21,159	56,764	73,357
Interest income	(532)	(8)	(1,482)	(660)
Interest capitalized	(1,069)	(758)	(4,803)	(3,510)
Debt placement fee amortization expense	219	337	767	1,112
Other (income)/expense	(126)	612	(380)	(24)
Income before provision for income taxes	81,583	82,341	332,090	228,136
Provision for income taxes	518	389	1,987	1,661
Net income	<u>\$ 81,065</u>	<u>\$ 81,952</u>	<u>\$ 330,103</u>	<u>\$ 226,475</u>
Allocation of net income: ⁽¹⁾				
Non-controlling owners' interest	\$ 61,562	\$ —	\$ 244,430	\$ 99,729
Limited partners' interest	20,349	81,952	87,733	126,746
General partner's interest	(846)	—	(2,060)	—
Net income	<u>\$ 81,065</u>	<u>\$ 81,952</u>	<u>\$ 330,103</u>	<u>\$ 226,475</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.51</u>	<u>\$ 0.77</u>	<u>\$ 2.21</u>	<u>\$ 2.22</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation ⁽¹⁾	<u>39,632</u>	<u>106,782</u>	<u>39,630</u>	<u>57,115</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation ⁽¹⁾	<u>39,632</u>	<u>106,902</u>	<u>39,630</u>	<u>57,145</u>

⁽¹⁾ The simplification of the partnership's capital structure in Sept. 2009 resulted in an increase in the number of limited partner units outstanding and a change to the allocation of net income, with all income subsequently allocated to limited partners due to the elimination of non-controlling owners' interest.

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2009	2008	2009
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	\$ 1.183	\$ 1.223	\$ 1.193	\$ 1.205
Volume shipped (million barrels).....	75.3	74.3	295.9	295.7
Petroleum products terminals:				
Marine terminal average storage utilized (million barrels per month).....	23.7	27.2	23.3	26.2
Inland terminal throughput (million barrels).....	26.5	27.6	108.1	109.8
Ammonia pipeline system:				
Volume shipped (thousand tons).....	198	223	822	643

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2009	2008	2009
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 124,809	\$ 128,279	\$ 478,473	\$ 494,165
Less: Operating expenses.....	51,727	44,065	197,670	183,929
Transportation and terminals margin.....	73,082	84,214	280,803	310,236
Product sales revenues.....	129,233	165,529	543,694	320,100
Less: Product purchases.....	92,927	137,328	429,294	275,880
Product margin.....	36,306	28,201	114,400	44,220
Add: Affiliate management fee revenue.....	184	191	733	761
Equity earnings.....	563	605	4,067	3,431
Gain on assignment of supply agreement.....	—	—	26,492	—
Operating margin.....	<u>\$ 110,135</u>	<u>\$ 113,211</u>	<u>\$ 426,495</u>	<u>\$ 358,648</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 37,086	\$ 49,316	\$ 141,129	\$ 169,939
Less: Operating expenses.....	16,656	17,685	59,130	64,388
Transportation and terminals margin.....	20,430	31,631	81,999	105,551
Product sales revenues.....	5,240	3,817	30,401	14,365
Less: Product purchases.....	1,751	1,938	8,279	6,393
Product margin.....	3,489	1,879	22,122	7,972
Operating margin.....	<u>\$ 23,919</u>	<u>\$ 33,510</u>	<u>\$ 104,121</u>	<u>\$ 113,523</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 6,170	\$ 7,368	\$ 22,704	\$ 19,862
Less: Operating expenses.....	4,219	2,464	14,044	16,196
Operating margin.....	<u>\$ 1,951</u>	<u>\$ 4,904</u>	<u>\$ 8,660</u>	<u>\$ 3,666</u>
Segment operating margin.....	\$ 136,005	\$ 151,625	\$ 539,276	\$ 475,837
Add: Allocated corporate depreciation costs.....	960	1,009	3,483	3,839
Total operating margin.....	136,965	152,634	542,759	479,676
Less: Depreciation and amortization.....	22,654	26,288	86,501	97,216
General and administrative.....	18,198	22,663	73,302	84,049
Total operating profit.....	<u>\$ 96,113</u>	<u>\$ 103,683</u>	<u>\$ 382,956</u>	<u>\$ 298,411</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.
DISTRIBUTABLE CASH FLOW RECONCILIATION TO NET INCOME
(Unaudited, in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,		2010
	2008	2009	2008	2009	Estimate
Net income	\$ 81.1	\$ 82.0	\$ 330.1	\$ 226.5	\$ 285
Add: Depreciation and amortization ⁽¹⁾	22.9	26.6	87.3	98.3	110
Equity-based incentive compensation ⁽²⁾	0.4	2.2	0.9	6.1	3
Expenses (credits) indemnified by former affiliate.....	2.2	(0.8)	(1.7)	5.2	—
Asset retirements and impairments	3.4	2.5	7.2	5.5	5
NYMEX contract adjustment ⁽³⁾	(1.6)	(0.6)	(13.8)	24.4	(10)
Less: Maintenance capital (net of expected reimbursements and indemnified spending) ⁽⁴⁾ ...	17.8	7.5	43.2	38.0	45
Gain on assignment of supply agreement	—	—	26.5	—	—
Other	(1.2)	(0.5)	2.1	(0.4)	3
Distributable cash flow ⁽⁵⁾	<u>\$ 91.8</u>	<u>\$104.9</u>	<u>\$ 338.2</u>	<u>\$ 328.4</u>	<u>\$ 345</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 twelve months ended December 31, 2008 and 2009 was \$4.8 million and \$9.6 million, respectively. However, the figures above include an adjustment for minimum statutory tax withholdings paid by the partnership during first quarter 2008 and 2009 of \$3.9 million and \$3.5 million, respectively, for equity-based incentive compensation units that vested on the previous year end.

⁽³⁾ Represents margins realized in the current quarter on the physical sales of products that were hedged using New York Mercantile Exchange (NYMEX) contracts. Because certain of these NYMEX contracts do not qualify for hedge accounting treatment, \$12.2 million of losses and \$20.2 million of gains for the three and twelve months ended December 31, 2009, respectively, were recognized in previous accounting periods when the NYMEX contracts were marked to market. The partnership adjusted these accounting profits out of its distributable cash flows in those earlier periods. Additionally, the three and twelve month periods ended December 31, 2009 include \$11.6 million and \$4.2 million of mark-to-market losses, respectively, on NYMEX contracts associated with products that will be physically sold in future periods.

⁽⁴⁾ During the three months ended December 31, 2008 and 2009, the partnership paid \$(0.6) million and \$1.9 million, respectively, and for the twelve months ended December 31, 2008 and 2009, the partnership paid \$3.6 million and \$5.3 million, respectively, for indemnified maintenance capital projects related to its indemnification settlement or for costs which it expects to be reimbursed by insurance proceeds or third parties.

⁽⁵⁾ Distributable cash flow does not include fluctuations related to working capital or spending for which the partnership has received, or expects to receive, reimbursement through third party indemnifications. Through December 31, 2009, the partnership has either paid or accrued liabilities totaling \$92.5 million of the \$117.5 million indemnification settlement amount it has received, including \$26.4 million for capital projects.