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,	
	2011	**2012**	**2011**	**2012**
Transportation and terminals revenues	$ 223,192	$ 248,761	$ 428,600	$ 466,315
Product sales revenues	159,943	200,568	397,239	476,298
Affiliate management fee revenue	192	198	385	397
Total revenues	383,327	449,527	826,224	943,010
Costs and expenses:				
Operating	81,323	82,326	143,684	150,778
Product purchases	118,836	144,498	330,066	393,110
Depreciation and amortization	30,664	31,486	60,027	62,996
General and administrative	25,281	25,414	49,871	49,158
Total costs and expenses	256,104	283,724	583,648	656,042
Equity earnings	1,443	1,478	2,810	3,126
Operating profit	128,666	167,281	245,386	290,094
Interest expense	25,988	29,118	52,474	58,241
Interest income	(1)	(29)	(11)	(64)
Interest capitalized	(1,190)	(1,028)	(1,861)	(1,892)
Debt placement fee amortization expense	385	518	770	1,037
Income before provision for income taxes	103,484	138,702	194,014	232,772
Provision for income taxes	485	881	950	1,427
Net income	$ 102,999	$ 137,821	$ 193,064	$ 231,345
Allocation of net income (loss):				
Non-controlling owners' interest	$ —	$ —	$ (63)	$ —
Limited partners' interest	102,999	137,821	193,127	231,345
Net income	$ 102,999	$ 137,821	$ 193,064	$ 231,345
Basic and diluted net income per limited partner unit	$ 0.91	$ 1.22	$ 1.71	$ 2.04
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	112,847	113,214	112,804	113,153

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
Petroleum pipeline system:				
Transportation revenue per barrel shipped	$ 1.097	$ 1.126	$ 1.071	$ 1.094
Volume shipped (million barrels):				
Refined products:				
Gasoline	52.3	56.1	104.7	102.0
Distillates	32.9	33.6	62.5	63.4
Aviation fuel	7.7	5.2	12.8	10.8
Liquefied petroleum gases	2.2	3.7	3.1	4.7
Crude oil	10.2	17.2	17.2	32.1
Total volume shipped	105.3	115.8	200.3	213.0
Petroleum terminals:				
Storage terminal average utilization (million barrels per month)	31.1	34.8	30.5	34.8
Inland terminal throughput (million barrels)	29.3	29.9	56.9	58.0
Ammonia pipeline system:				
Volume shipped (thousand tons)	191	193	412	382

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2012**	**2011**	**2012**
Petroleum pipeline system:				
Transportation and terminals revenues	$ 161,168	$ 178,757	$ 305,230	$ 327,487
Less: Operating expenses	51,737	56,377	89,447	102,931
Transportation and terminals margin	109,431	122,380	215,783	224,556
Product sales revenues	152,891	193,040	379,879	459,297
Less: Product purchases	117,540	140,810	326,013	385,691
Product margin	35,351	52,230	53,866	73,606
Add: Affiliate management fee revenue	192	198	385	397
Equity earnings	1,443	1,494	2,810	3,163
Operating margin	$ 146,417	$ 176,302	$ 272,844	$ 301,722
Petroleum terminals:				
Transportation and terminals revenues	$ 56,969	$ 64,053	$ 112,190	$ 127,233
Less: Operating expenses	26,627	24,440	48,623	44,622
Transportation and terminals margin	30,342	39,613	63,567	82,611
Product sales revenues	7,140	7,699	17,558	17,464
Less: Product purchases	2,084	4,567	5,858	9,295
Product margin	5,056	3,132	11,700	8,169
Equity earnings	—	(16)	—	(37)
Operating margin	$ 35,398	$ 42,729	$ 75,267	$ 90,743
Ammonia pipeline system:				
Transportation and terminals revenues	$ 5,755	$ 6,659	$ 12,787	$ 13,008
Less: Operating expenses	3,726	2,179	7,057	4,629
Operating margin	$ 2,029	$ 4,480	$ 5,730	$ 8,379
Segment operating margin	$ 183,844	$ 223,511	$ 353,841	$ 400,844
Add: Allocated corporate depreciation costs	767	670	1,443	1,404
Total operating margin	184,611	224,181	355,284	402,248
Less:				
Depreciation and amortization expense	30,664	31,486	60,027	62,996
General and administrative expense	25,281	25,414	49,871	49,158
Total operating profit	$ 128,666	$ 167,281	$ 245,386	$ 290,094

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)

	Three Months Ended June 30, 2012	
	Net Income	**Basic and Diluted Net Income Per Limited Partner Unit**
As reported	$ 137,821	$ 1.22
Deduct: Unrealized derivative gains associated with future physical product transactions	(27,511)	(0.24)
Add: Lower-of-cost-or-market inventory adjustments	4,106	0.03
Excluding commodity-related adjustments	$ 114,416	$ 1.01
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	113,214	

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

	Three Months Ended June 30,		Six Months Ended June 30,		2012
	2011	**2012**	**2011**	**2012**	**Guidance**
Net income	$ 102,999	$ 137,821	$ 193,064	$ 231,345	$ 441,000
Interest expense, net	24,797	28,061	50,602	56,285	110,000
Depreciation and amortization [(1)]	31,049	32,004	60,797	64,033	130,000
Equity-based incentive compensation [(2)]	5,260	4,165	1,600	(5,991)	4,000
Asset retirements and impairments	5,276	1,952	7,106	7,359	10,000
Commodity-related adjustments:					
Derivative losses/(gains) recognized in the period associated with future product transactions [(3)]	(226)	(27,511)	8,765	(17,908)	
Derivative losses recognized in previous periods associated with product sales completed in the period [(4)]	(17,381)	(10,886)	(12,007)	(4,164)	
Lower-of-cost-or-market adjustments	—	4,106	—	3,089	
Houston-to-El Paso cost of sales adjustments[(5)]	1,929	7,082	(3,915)	8,121	
Total commodity-related adjustments	(15,678)	(27,209)	(7,157)	(10,862)	—
Other	(601)	9	(739)	529	—
Adjusted EBITDA	153,102	176,803	305,273	342,698	695,000
Interest expense, net	(24,797)	(28,061)	(50,602)	(56,285)	(110,000)
Maintenance capital	(10,720)	(14,752)	(19,370)	(26,710)	(65,000)
Distributable cash flow	$ 117,585	$ 133,990	$ 235,301	$ 259,703	$ 520,000
Distributable cash flow per limited partner unit	$ 1.04	$ 1.18	$ 2.09	$ 2.30	$ 4.60
Weighted average number of limited partner units paid distributions	112,737	113,100	112,737	113,100	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 six months ended June 30, 2011 and 2012 was $9.0 million and $7.0 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.