

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
Transportation and terminals revenues	\$ 173,504	\$ 206,727	\$ 495,227	\$ 573,069
Product sales revenues	66,076	199,284	165,119	585,318
Affiliate management fee revenue	190	190	570	569
Total revenues	239,770	406,201	660,916	1,158,956
Costs and expenses:				
Operating	73,863	87,584	195,178	219,980
Product purchases	47,902	186,993	141,522	503,516
Depreciation and amortization	24,613	27,403	70,928	79,460
General and administrative	20,002	23,624	61,386	67,044
Total costs and expenses	166,380	325,604	469,014	870,000
Equity earnings	1,368	1,654	2,826	4,323
Operating profit	74,758	82,251	194,728	293,279
Interest expense	20,837	25,316	52,198	69,611
Interest income	(225)	(74)	(652)	(85)
Interest capitalized	(874)	(884)	(2,752)	(2,535)
Debt placement fee amortization expense	331	358	775	1,015
Other (income) expense	11	750	(636)	750
Income before provision for income taxes	54,678	56,785	145,795	224,523
Provision for income taxes	463	148	1,272	900
Net income	<u>\$ 54,215</u>	<u>\$ 56,637</u>	<u>\$ 144,523</u>	<u>\$ 223,623</u>
Allocation of net income (loss):				
Non-controlling owners' interest	\$ 36,054	\$ (154)	\$ 99,729	\$ (222)
Limited partners' interest	18,161	56,791	44,794	223,845
Net income	<u>\$ 54,215</u>	<u>\$ 56,637</u>	<u>\$ 144,523</u>	<u>\$ 223,623</u>
Basic and diluted net income per limited partner unit	<u>\$ 0.43</u>	<u>\$ 0.51</u>	<u>\$ 1.11</u>	<u>\$ 2.06</u>
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	<u>41,831</u>	<u>111,522</u>	<u>40,377</u>	<u>108,437</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
Petroleum pipeline system:				
Transportation revenue per barrel shipped	\$ 1.248	\$ 1.155	\$ 1.199	\$ 1.222
Volume shipped (million barrels).....	75.8	97.6	221.4	245.9
Petroleum terminals:				
Storage terminal average utilization (million barrels per month).....	23.6	25.6	23.3	24.4
Inland terminal throughput (million barrels).....	28.3	30.2	82.2	86.6
Ammonia pipeline system:				
Volume shipped (thousand tons).....	125	20	420	298

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
Petroleum pipeline system:				
Transportation and terminals revenues.....	\$ 128,979	\$ 156,652	\$ 365,886	\$ 421,028
Less: Operating expenses.....	51,084	56,941	137,641	149,211
Transportation and terminals margin.....	77,895	99,711	228,245	271,817
Product sales revenues.....	62,447	195,177	154,571	570,366
Less: Product purchases.....	47,050	186,023	138,552	499,066
Product margin.....	15,397	9,154	16,019	71,300
Add: Affiliate management fee revenue.....	190	190	570	569
Equity earnings.....	1,368	1,654	2,826	4,323
Operating margin.....	<u>\$ 94,850</u>	<u>\$ 110,709</u>	<u>\$ 247,660</u>	<u>\$ 348,009</u>
Petroleum terminals:				
Transportation and terminals revenues.....	\$ 41,008	\$ 49,905	\$ 118,382	\$ 144,010
Less: Operating expenses.....	16,324	23,044	46,685	57,679
Transportation and terminals margin.....	24,684	26,861	71,697	86,331
Product sales revenues.....	3,629	4,233	10,548	15,106
Less: Product purchases.....	1,349	1,597	4,455	6,120
Product margin.....	2,280	2,636	6,093	8,986
Operating margin.....	<u>\$ 26,964</u>	<u>\$ 29,497</u>	<u>\$ 77,790</u>	<u>\$ 95,317</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 4,017	\$ 671	\$ 12,494	\$ 9,547
Less: Operating expenses.....	7,392	8,242	13,732	15,458
Operating margin.....	<u>\$ (3,375)</u>	<u>\$ (7,571)</u>	<u>\$ (1,238)</u>	<u>\$ (5,911)</u>
Segment operating margin.....	\$ 118,439	\$ 132,635	\$ 324,212	\$ 437,415
Add: Allocated corporate depreciation costs.....	934	643	2,830	2,368
Total operating margin.....	119,373	133,278	327,042	439,783
Less: Depreciation and amortization.....	24,613	27,403	70,928	79,460
General and administrative.....	20,002	23,624	61,386	67,044
Total operating profit.....	<u>\$ 74,758</u>	<u>\$ 82,251</u>	<u>\$ 194,728</u>	<u>\$ 293,279</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 millions except per unit amounts)

	Three Months Ended September 30, 2010	
	Net Income	Basic and Diluted Net Income Per Limited Partner Unit
As reported	\$ 56.6	\$ 0.51
Add: Unrealized NYMEX losses associated with future physical product sales	8.3	0.07
Deduct: Lower-of-cost-or-market inventory adjustments.....	(4.9)	(0.04)
Excluding mark-to-market commodity-related pricing adjustments.....	\$ 60.0	\$ 0.54
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	111.5	

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

	Three Months Ended September 30,		Nine Months Ended September 30,		2010 Guidance
	2009	2010	2009	2010	
Net income	\$ 54.2	\$ 56.6	\$ 144.5	\$ 223.6	\$ 310
Add: Depreciation and amortization ⁽¹⁾	24.9	27.8	71.7	80.5	110
Equity-based incentive compensation ⁽²⁾	2.2	4.6	3.9	8.1	15
Expenses indemnified by a former affiliate	4.1	—	6.0	—	—
Asset retirements and impairments	0.8	1.4	3.0	0.1	—
Commodity-related adjustments ⁽³⁾	(6.1)	7.8	25.0	(11.7)	(18)
Less: Maintenance capital	10.2	12.0	30.5	27.0	45
Other	0.3	0.4	0.1	1.9	2
Distributable cash flow ⁽⁴⁾	\$ 69.6	\$ 85.8	\$ 223.5	\$ 271.7	\$ 370

⁽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, 2009 and 2010 was \$7.4 million and \$11.5 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 September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
NYMEX contract gains/(losses) recognized in previous periods	\$ (3.9)	\$ 2.2	\$ 20.2	\$ (7.7)
NYMEX contract (gains)/losses recognized in the current period that are associated with future physical product sales	(5.4)	8.3	8.0	(2.2)
Lower-of-cost-or-market adjustments	3.2	(4.9)	(3.2)	0.2
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	—	2.2	—	(2.0)
Total commodity-related adjustments	\$ (6.1)	\$ 7.8	\$ 25.0	\$ (11.7)

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