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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2012
Transportation and terminals revenues	$ 205,408	$ 217,554
Product sales revenues	237,296	275,730
Affiliate management fee revenue	193	199
Total revenues	442,897	493,483
Costs and expenses:		
Operating	62,361	68,452
Product purchases	211,230	248,612
Depreciation and amortization	29,363	31,510
General and administrative	24,590	23,744
Total costs and expenses	327,544	372,318
Equity earnings	1,367	1,648
Operating profit	116,720	122,813
Interest expense	26,486	29,123
Interest income	(10)	(35)
Interest capitalized	(671)	(864)
Debt placement fee amortization expense	385	519
Income before provision for income taxes	90,530	94,070
Provision for income taxes	465	546
Net income	$ 90,065	$ 93,524
Allocation of net income (loss):		
Non-controlling owners' interest	$ (63)	$ —
Limited partners' interest	90,128	93,524
Net income	$ 90,065	$ 93,524
Basic and diluted net income per limited partner unit	$ 0.80	$ 0.83
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	112,762	113,091

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended March 31,	
	2011	2012
Petroleum pipeline system:		
Transportation revenue per barrel shipped	$ 1.043	$ 1.056
Volume shipped (million barrels):		
Refined products:		
Gasoline	52.4	45.9
Distillates	29.6	29.8
Aviation fuel	5.1	5.6
Liquefied petroleum gases	0.9	1.0
Crude oil	7.0	14.9
Total volume shipped	95.0	97.2
Petroleum terminals:		
Storage terminal average utilization (million barrels per month)	30.0	34.8
Inland terminal throughput (million barrels)	27.6	28.1
Ammonia pipeline system:		
Volume shipped (thousand tons)	221	189

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

	Three Months Ended March 31,	
	2011	**2012**
Petroleum pipeline system:		
Transportation and terminals revenues	$ 144,062	$ 148,730
Less: Operating expenses	37,710	46,554
Transportation and terminals margin	106,352	102,176
Product sales revenues	226,988	266,257
Less: Product purchases	208,473	244,881
Product margin	18,515	21,376
Add: Affiliate management fee revenue	193	199
Equity earnings	1,367	1,669
Operating margin	$ 126,427	$ 125,420
Petroleum terminals:		
Transportation and terminals revenues	$ 55,221	$ 63,180
Less: Operating expenses	21,996	20,182
Transportation and terminals margin	33,225	42,998
Product sales revenues	10,418	9,765
Less: Product purchases	3,774	4,728
Product margin	6,644	5,037
Equity earnings	—	(21)
Operating margin	$ 39,869	$ 48,014
Ammonia pipeline system:		
Transportation and terminals revenues	$ 7,032	$ 6,349
Less: Operating expenses	3,331	2,450
Operating margin	$ 3,701	$ 3,899
Segment operating margin	$ 169,997	$ 177,333
Add: Allocated corporate depreciation costs	676	734
Total operating margin	170,673	178,067
Less:		
Depreciation and amortization expense	29,363	31,510
General and administrative expense	24,590	23,744
Total operating profit	$ 116,720	$ 122,813

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 March 31, 2012	
	Net Income	**Basic and Diluted Net Income Per Limited Partner Unit**
As reported	$ 93,524	$ 0.83
Add: Unrealized derivative losses associated with future physical product transactions	13,162	0.11
Excluding commodity-related adjustments	$ 106,686	$ 0.94
Weighted average number of limited partner units outstanding used for basic and diluted net income per unit calculation	113,091	

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2012	2012 Guidance
Net income	$ 90,065	$ 93,524	$ 425,000
Interest expense, net	25,805	28,224	110,000
Depreciation and amortization [(1)]	29,748	32,029	130,000
Equity-based incentive compensation [(2)]	(3,660)	(10,156)	2,000
Asset retirements and impairments	1,830	5,407	9,000
Commodity-related adjustments:			
Derivative losses/(gains) recognized in the period associated with future product transactions [(3)]	23,971	13,162	
Derivative (losses)/gains recognized in previous periods associated with product sales completed in the period [(4)]	(9,606)	3,163	
Lower of cost or market adjustments	—	(1,017)	
Houston-to-El Paso cost of sales adjustments[(5)]	(5,844)	1,039	
Total commodity-related adjustments	8,521	16,347	(6,000)
Other	(138)	520	—
Adjusted EBITDA	152,171	165,895	670,000
Interest expense, net	(25,805)	(28,224)	(110,000)
Maintenance capital	(8,650)	(11,958)	(70,000)
Distributable cash flow	$ 117,716	$ 125,713	$ 490,000
Distributable cash flow per limited partner unit	$ 1.04	$ 1.11	$ 4.33
Weighted average number of limited partner units paid distributions	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 three months ended March 31, 2011 and 2012 was $3.7 million and $2.8 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.