

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2011	2012	2011	2012
Transportation and terminals revenues.....	\$ 232,705	\$ 248,937	\$ 893,369	\$ 970,744
Product sales revenues .....	254,036	252,906	854,528	799,382
Affiliate management fee revenue.....	192	1,352	770	1,948
Total revenues.....	486,933	503,195	1,748,667	1,772,074
Costs and expenses:				
Operating .....	73,273	74,404	306,415	328,454
Product purchases .....	216,654	178,179	706,270	657,108
Depreciation and amortization .....	30,918	33,324	121,179	128,012
General and administrative.....	28,328	32,694	98,669	109,403
Total costs and expenses .....	349,173	318,601	1,232,533	1,222,977
Equity earnings (loss) .....	1,998	(1,914)	6,763	2,961
Operating profit .....	139,758	182,680	522,897	552,058
Interest expense .....	29,063	30,627	108,869	117,981
Interest income .....	(39)	(27)	(61)	(107)
Interest capitalized .....	(648)	(2,864)	(3,174)	(6,195)
Debt placement fee amortization expense .....	651	531	1,831	2,087
Income before provision for income taxes.....	110,731	154,413	415,432	438,292
Provision for income taxes .....	469	610	1,866	2,622
Net income .....	<u>\$ 110,262</u>	<u>\$ 153,803</u>	<u>\$ 413,566</u>	<u>\$ 435,670</u>
Allocation of net income (loss):				
Limited partners' interest.....	\$ 110,262	\$ 153,803	\$ 413,629	\$ 435,670
Non-controlling owners' interest .....	—	—	(63)	—
Net income .....	<u>\$ 110,262</u>	<u>\$ 153,803</u>	<u>\$ 413,566</u>	<u>\$ 435,670</u>
Basic and diluted net income per limited partner unit .....	<u>\$ 0.49</u>	<u>\$ 0.68</u>	<u>\$ 1.83</u>	<u>\$ 1.92</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation .....	<u>225,748</u>	<u>226,434</u>	<u>225,674</u>	<u>226,369</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation .....	<u>226,936</u>	<u>227,383</u>	<u>225,974</u>	<u>226,608</u>

**MAGELLAN MIDSTREAM PARTNERS, L.P.**  
**OPERATING STATISTICS**

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
<b>Petroleum pipeline system:</b>				
Transportation revenue per barrel shipped .....	\$ 1.067	\$ 1.069	\$ 1.082	\$ 1.086
Volume shipped (million barrels):				
Refined products:				
Gasoline.....	55.8	59.9	208.9	223.7
Distillates .....	37.0	36.8	136.0	136.7
Aviation fuel .....	5.0	4.8	25.3	21.5
Liquefied petroleum gases .....	0.4	0.6	4.9	8.5
Crude oil.....	13.4	20.6	43.2	72.0
Total volume shipped .....	111.6	122.7	418.3	462.4
<b>Petroleum terminals:</b>				
Storage terminal average utilization (million barrels per month) .....	34.2	34.4	32.1	34.5
Inland terminal throughput (million barrels) .....	29.3	28.5	115.6	116.2
<b>Ammonia pipeline system:</b>				
Volume shipped (thousand tons).....	181	178	727	770

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2011	2012	2011	2012
<b>Petroleum pipeline system:</b>				
Transportation and terminals revenues .....	\$ 165,034	\$ 178,652	\$ 637,764	\$ 691,714
Less: Operating expenses.....	49,411	51,682	199,933	225,139
Transportation and terminals margin .....	115,623	126,970	437,831	466,575
Product sales revenues.....	246,952	244,605	824,763	766,967
Less: Product purchases.....	214,558	176,932	697,927	644,958
Product margin .....	32,394	67,673	126,836	122,009
Add: Affiliate management fee revenue.....	192	1,138	770	1,734
Equity earnings (loss).....	1,997	(2,336)	6,761	2,583
Operating margin .....	<u>\$ 150,206</u>	<u>\$ 193,445</u>	<u>\$ 572,198</u>	<u>\$ 592,901</u>
<b>Petroleum terminals:</b>				
Transportation and terminals revenues .....	\$ 62,154	\$ 63,927	\$ 234,965	\$ 254,121
Less: Operating expenses.....	21,628	20,761	93,031	95,160
Transportation and terminals margin .....	40,526	43,166	141,934	158,961
Product sales revenues.....	7,730	8,301	31,175	32,879
Less: Product purchases.....	3,442	1,961	12,761	15,447
Product margin .....	4,288	6,340	18,414	17,432
Add: Affiliate management fee revenue.....	—	214	—	214
Equity earnings.....	1	422	2	378
Operating margin .....	<u>\$ 44,815</u>	<u>\$ 50,142</u>	<u>\$ 160,350</u>	<u>\$ 176,985</u>
<b>Ammonia pipeline system:</b>				
Transportation and terminals revenues .....	\$ 6,217	\$ 7,072	\$ 23,648	\$ 27,742
Less: Operating expenses.....	2,963	2,814	16,369	11,110
Operating margin .....	<u>\$ 3,254</u>	<u>\$ 4,258</u>	<u>\$ 7,279</u>	<u>\$ 16,632</u>
Segment operating margin .....	\$ 198,275	\$ 247,845	\$ 739,827	\$ 786,518
Add: Allocated corporate depreciation costs .....	729	853	2,918	2,955
Total operating margin .....	199,004	248,698	742,745	789,473
Less:				
Depreciation and amortization expense .....	30,918	33,324	121,179	128,012
General and administrative expense .....	28,328	32,694	98,669	109,403
Total operating profit .....	<u>\$ 139,758</u>	<u>\$ 182,680</u>	<u>\$ 522,897</u>	<u>\$ 552,058</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 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

December 31, 2012

	Net Income	Basic Net Income Per Limited Partner Unit	Diluted Net Income Per Limited Partner Unit
<b>As reported</b> .....	\$ 153,803	\$ 0.68	\$ 0.68
Deduct: Unrealized derivative gains associated with future physical product transactions .....	(26)	—	—
Add: Lower-of-cost-or-market adjustments .....	2,000	0.01	0.01
Excluding commodity-related adjustments .....	\$ 155,777	\$ 0.69	\$ 0.69
 Weighted average number of limited partner units outstanding used for basic net income per unit calculation .....	226,434		
 Weighted average number of limited partner units outstanding used for diluted net income per unit calculation .....	227,383		

\*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		Year Ended		2013 Guidance
	December 31,		December 31,		
	2011	2012	2011	2012	
<b>Net income</b> .....	\$ 110,262	\$ 153,803	\$ 413,566	\$ 435,670	\$ 500,000
Interest expense, net.....	28,376	27,736	105,634	111,679	120,000
Depreciation and amortization <sup>(1)</sup> .....	31,569	33,855	123,010	130,099	148,000
Equity-based incentive compensation <sup>(2)</sup> .....	5,924	8,481	10,243	8,038	7,000
Asset retirements and impairments .....	1,070	2,047	8,599	12,622	7,000
Commodity-related adjustments:					
Derivative losses/(gains) recognized in the period associated with future product transactions <sup>(3)</sup> .....	7,925	(26)	(5,909)	6,424	
Derivative gains (losses) recognized in previous periods associated with product sales completed in the period <sup>(4)</sup> .	12,019	(18,171)	(15,162)	(12,893)	
Lower-of-cost-or-market adjustments.....	(1,967)	2,000	1,017	983	
Houston-to-El Paso cost of sales adjustments <sup>(5)</sup> .....	(2,702)	10,153	(2,316)	18,380	
Total commodity-related adjustments .....	15,275	(6,044)	(22,370)	12,894	(8,000)
Other.....	(1,114)	4,413	(2,504)	4,850	(9,000)
<b>Adjusted EBITDA</b> .....	191,362	224,291	636,178	715,852	765,000
Interest expense, net.....	(28,376)	(27,736)	(105,634)	(111,679)	(120,000)
Maintenance capital .....	(31,717)	(17,202)	(70,002)	(64,396)	(75,000)
<b>Distributable cash flow</b> .....	<u>\$ 131,269</u>	<u>\$ 179,353</u>	<u>\$ 460,542</u>	<u>\$ 539,777</u>	<u>\$ 570,000</u>
Distributable cash flow per limited partner unit .....	<u>\$ 0.58</u>	<u>\$ 0.79</u>	<u>\$ 2.04</u>	<u>\$ 2.39</u>	<u>\$ 2.51</u>
Weighted average number of limited partner units paid distributions .....	<u>226,200</u>	<u>226,679</u>	<u>225,656</u>	<u>226,320</u>	<u>226,679</u>

<sup>(1)</sup> Depreciation and amortization includes debt placement fee amortization.

<sup>(2)</sup> 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 years ended December 31, 2011 and 2012 was \$17.6 million and \$21.0 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.