

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,	
	2003	2004	2003	2004
Transportation and terminals revenues:				
Third party	\$ 91,633	\$ 120,266	\$ 359,726	\$ 416,896
Affiliate	-	-	13,122	-
Product sales revenues:				
Third party	43,711	141,244	111,522	278,478
Affiliate	-	-	790	-
Total revenues	<u>135,344</u>	<u>261,510</u>	<u>485,160</u>	<u>695,374</u>
Costs and expenses:				
Operating	42,368	50,238	164,612	176,941
Environmental	4,952	1,485	14,089	43,989
Environmental reimbursements	(3,202)	(74)	(11,818)	(41,398)
Product purchases	38,886	135,226	99,907	255,724
Depreciation and amortization	8,825	12,937	36,081	41,845
Affiliate general and administrative	<u>16,121</u>	<u>14,235</u>	<u>56,846</u>	<u>54,466</u>
Total costs and expenses	<u>107,950</u>	<u>214,047</u>	<u>359,717</u>	<u>531,567</u>
Equity earnings	-	621	-	1,602
Operating profit	27,394	48,084	125,443	165,409
Interest expense	9,333	12,645	36,597	37,893
Interest income	(511)	(721)	(2,061)	(2,458)
Debt prepayment premium	-	-	-	12,666
Write-off of unamortized debt placement costs	-	-	-	5,002
Debt placement fee amortization	683	832	2,830	3,056
Gain on derivative	-	-	-	(953)
Other income	(92)	-	(92)	-
Net income	<u>\$ 17,981</u>	<u>\$ 35,328</u>	<u>\$ 88,169</u>	<u>\$ 110,203</u>
Allocation of net income:				
Limited partners' interest	\$ 19,980	\$ 31,515	\$ 90,191	\$ 101,140
General partner's interest	(1,999)	3,813	(2,022)	9,063
Net income	<u>\$ 17,981</u>	<u>\$ 35,328</u>	<u>\$ 88,169</u>	<u>\$ 110,203</u>
Basic net income per limited partner unit	<u>\$ 0.73</u>	<u>\$ 0.96</u>	<u>\$ 3.32</u>	<u>\$ 3.45</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>27,208</u>	<u>32,936</u>	<u>27,195</u>	<u>29,358</u>
Diluted net income per limited partner unit	<u>\$ 0.73</u>	<u>\$ 0.95</u>	<u>\$ 3.31</u>	<u>\$ 3.44</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>27,244</u>	<u>33,016</u>	<u>27,235</u>	<u>29,422</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	\$0.902	\$1.039	\$0.964	\$0.992
Transportation barrels shipped (million barrels)	62.3	71.5	237.6	253.6
Barrel miles (billions)	17.4	21.8	70.5	72.1
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	14.7	16.1	15.2	15.8
Marine terminal throughput (million barrels)	5.8	11.9	22.2	28.9
Inland terminal throughput (million barrels)	16.0	27.1	61.2	101.2
Ammonia pipeline system:				
Volume shipped (thousand tons)	205	213	614	765

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2003	2004	2003	2004
Petroleum products pipeline system:				
Transportation and terminals revenues	\$ 68,626	\$ 92,539	\$ 281,367	\$ 312,823
Less: Operating expenses	(32,768)	(38,848)	(126,241)	(138,957)
Environmental expenses	(4,952)	(263)	(13,256)	(38,744)
Add: Environmental expense reimbursement	3,202	74	10,967	37,647
Transportation and terminals margin	<u>34,108</u>	<u>53,502</u>	<u>152,837</u>	<u>172,769</u>
Product sales revenues	42,860	137,683	107,633	267,659
Less: Product purchases	<u>(38,223)</u>	<u>(132,729)</u>	<u>(97,971)</u>	<u>(249,189)</u>
Product margin	4,637	4,954	9,662	18,470
Add: Equity earnings	-	621	-	1,602
Operating margin	<u>\$ 38,745</u>	<u>\$ 59,077</u>	<u>\$ 162,499</u>	<u>\$ 192,841</u>
Petroleum products terminals:				
Transportation and terminals revenues	\$ 18,769	\$ 24,403	\$ 78,873	\$ 91,302
Less: Operating expenses	(8,622)	(10,186)	(34,677)	(36,864)
Environmental expenses	-	(200)	(389)	(3,039)
Add: Environmental expense reimbursement	-	-	359	2,839
Transportation and terminals margin	<u>10,147</u>	<u>14,017</u>	<u>44,166</u>	<u>54,238</u>
Product sales revenues	851	3,561	4,679	10,819
Less: Product purchases	<u>(663)</u>	<u>(2,497)</u>	<u>(1,936)</u>	<u>(6,535)</u>
Product margin	188	1,064	2,743	4,284
Operating margin	<u>\$ 10,335</u>	<u>\$ 15,081</u>	<u>\$ 46,909</u>	<u>\$ 58,522</u>
Ammonia pipeline system:				
Total revenues	\$ 4,238	\$ 4,039	\$ 12,608	\$ 13,922
Less: Operating expenses	(1,413)	(2,720)	(4,562)	(5,300)
Environmental expenses	-	(1,022)	(444)	(2,206)
Add: Environmental expense reimbursement	-	-	492	912
Operating margin	<u>\$ 2,825</u>	<u>\$ 297</u>	<u>\$ 8,094</u>	<u>\$ 7,328</u>
Segment operating margin	\$ 51,905	\$ 74,455	\$ 217,502	\$ 258,691
Add: Allocated corporate depreciation costs	<u>435</u>	<u>801</u>	<u>868</u>	<u>3,029</u>
Total operating margin	52,340	75,256	218,370	261,720
Less: Depreciation and amortization	(8,825)	(12,937)	(36,081)	(41,845)
Affiliate general and administrative	<u>(16,121)</u>	<u>(14,235)</u>	<u>(56,846)</u>	<u>(54,466)</u>
Total operating profit	<u>\$ 27,394</u>	<u>\$ 48,084</u>	<u>\$ 125,443</u>	<u>\$ 165,409</u>

Note: Consolidated transportation and terminals revenues do not agree to the sum of the corresponding segment amounts due to intercompany eliminations of \$715 and \$1,151 for the three and twelve months ended December 31, 2004, respectively. Consolidated operating expenses do not agree to the sum of the corresponding segment amounts due to intercompany eliminations of \$715 and \$1,151 for the three and twelve months ended December 31, 2004, respectively, and allocated corporate depreciation costs of \$801 and \$3,029 for the three and twelve months ended December 31, 2004, respectively, and \$435 and \$868 for the three and twelve months ended December 31, 2003.

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING PROFIT RECONCILIATION
EXCLUDING TRANSITION COSTS AND REIMBURSABLE G&A
(Unaudited, in millions)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Operating Profit Reconciliation:				
Operating profit, as reported	\$ 27.4	\$ 48.1	\$ 125.4	\$ 165.4
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	0.1	-	2.6	-
Petroleum products terminals	(0.1)	-	0.8	-
Total operating transition costs	-	-	3.4	-
General and administrative (G&A):				
Incentive compensation early vesting	(0.7)	-	1.6	-
Separation from Williams	1.1	-	2.5	-
Total G&A transition costs	0.4	-	4.1	-
Total items impacting earnings per unit	0.4	-	7.5	-
Items not impacting earnings per unit:				
G&A transition costs	1.2	-	1.2	0.8
G&A paid-time-off benefits	0.4	-	2.1	-
Reimbursable G&A	3.0	0.6	5.9	6.4
Total items not impacting earnings per unit	4.6	0.6	9.2	7.2
Operating profit excluding transition costs and reimbursable G&A	<u>\$ 32.4</u>	<u>\$ 48.7</u>	<u>\$ 142.1</u>	<u>\$ 172.6</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
NET INCOME AND DILUTED EARNINGS PER UNIT RECONCILIATION
EXCLUDING TRANSITION COSTS, REIMBURSABLE G&A AND REFINANCING COSTS
(In millions, except per unit amounts)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2003	2004	2003	2004
Net Income Reconciliation:				
Net income, as reported	\$ 18.0	\$ 35.3	\$ 88.2	\$ 110.2
Diluted earnings per unit, as reported	\$ 0.73	\$ 0.95	\$ 3.31	\$ 3.44
Items impacting earnings per unit:				
Transition costs:				
Operating expenses:				
Paid-time-off benefits:				
Petroleum products pipeline system	0.1	-	2.6	-
Petroleum products terminals	(0.1)	-	0.8	-
Total operating transition costs	-	-	3.4	-
G&A expenses:				
Incentive compensation early vesting	(0.7)	-	1.6	-
Separation from Williams	1.1	-	2.5	-
Total G&A transition costs	0.4	-	4.1	-
Total transition costs impacting earnings per unit	0.4	-	7.5	-
Refinancing costs:				
Debt prepayment premium	-	-	-	12.7
Write-off of unamortized debt placement costs	-	-	-	5.0
Gain on derivative	-	-	-	(1.0)
Total refinancing costs	-	-	-	16.7
Total items impacting earnings per unit	0.4	-	7.5	16.7
Items not impacting earnings per unit:				
G&A transition costs	1.2	-	1.2	0.8
G&A paid-time-off benefits	0.4	-	2.1	-
Reimbursable G&A	3.0	0.6	5.9	6.4
Total items not impacting earnings per unit	4.6	0.6	9.2	7.2
Net income excluding transition costs, reimbursable G&A and refinancing costs	\$ 23.0	\$ 35.9	\$ 104.9	\$ 134.1
Diluted earnings per unit excluding transition and refinancing costs	\$ 0.75	\$ 0.95	\$ 3.56	\$ 3.92