

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
Transportation and terminals revenues	\$ 129,924	\$ 144,853	\$ 500,196	\$ 558,301
Product sales revenues	179,120	171,105	636,209	664,569
Affiliate management fee revenue	166	172	667	690
Total revenues	309,210	316,130	1,137,072	1,223,560
Costs and expenses:				
Operating	58,354	63,898	217,788	232,118
Environmental	2,093	1,147	12,007	12,408
Product purchases	168,472	147,148	582,631	605,341
Depreciation and amortization	14,908	15,113	56,307	60,852
Affiliate general and administrative	15,087	19,306	61,131	67,112
Total costs and expenses	258,914	246,612	929,864	977,831
Equity earnings	873	845	3,104	3,324
Operating profit	51,169	70,363	210,312	249,053
Interest expense	13,863	14,362	53,371	57,478
Interest income	(867)	(368)	(4,296)	(2,097)
Interest capitalized	(138)	(1,025)	(817)	(2,371)
Debt placement fee amortization	677	647	2,871	2,681
Other (income) / expense	—	295	(300)	634
Net income	<u>\$ 37,634</u>	<u>\$ 56,452</u>	<u>\$ 159,483</u>	<u>\$ 192,728</u>
Allocation of net income:				
Limited partners' interest	\$ 30,422	\$ 42,718	\$ 135,579	\$ 148,881
General partner's interest	7,212	13,734	23,904	43,847
Net income	<u>\$ 37,634</u>	<u>\$ 56,452</u>	<u>\$ 159,483</u>	<u>\$ 192,728</u>
Basic net income per limited partner unit	<u>\$ 0.46</u>	<u>\$ 0.64</u>	<u>\$ 2.04</u>	<u>\$ 2.24</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>66,361</u>	<u>66,361</u>	<u>66,361</u>	<u>66,361</u>
Diluted net income per limited partner unit	<u>\$ 0.46</u>	<u>\$ 0.64</u>	<u>\$ 2.03</u>	<u>\$ 2.24</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>66,833</u>	<u>66,838</u>	<u>66,625</u>	<u>66,613</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (dollars per barrel).....	\$ 1.001	\$ 1.082	\$ 1.026	\$ 1.060
Transportation barrels shipped (million barrels)	75.7	77.3	297.7	308.7
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	18.9	19.8	18.6	19.1
Inland terminal throughput (million barrels).....	27.5	32.2	111.1	121.9
Ammonia pipeline system:				
Volume shipped (thousand tons).....	226	189	713	726

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 95,520	\$ 105,595	\$ 381,926	\$ 413,308
Less: Operating expenses.....	47,071	48,546	176,781	177,913
Environmental expenses.....	1,640	314	8,590	9,802
Transportation and terminals margin.....	46,809	56,735	196,555	225,593
Product sales revenues.....	176,601	164,782	625,725	643,623
Less: Product purchases.....	166,797	143,343	578,806	593,634
Product margin.....	9,804	21,439	46,919	49,989
Add: Affiliate management fee revenue.....	166	172	667	690
Equity earnings.....	873	845	3,104	3,324
Operating margin.....	<u>\$ 57,652</u>	<u>\$ 79,191</u>	<u>\$ 247,245</u>	<u>\$ 279,596</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 29,189	\$ 35,275	\$ 105,563	\$ 131,917
Less: Operating expenses.....	11,538	13,239	40,197	49,202
Environmental expenses.....	392	21	2,102	143
Transportation and terminals margin.....	17,259	22,015	63,264	82,572
Product sales revenues.....	2,519	6,323	11,444	20,946
Less: Product purchases.....	1,803	3,933	5,294	12,221
Product margin.....	716	2,390	6,150	8,725
Operating margin.....	<u>\$ 17,975</u>	<u>\$ 24,405</u>	<u>\$ 69,414</u>	<u>\$ 91,297</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 5,897	\$ 4,807	\$ 15,849	\$ 16,473
Less: Operating expenses.....	1,238	3,724	6,849	11,469
Environmental expenses.....	61	812	1,315	2,463
Operating margin.....	<u>\$ 4,598</u>	<u>\$ 271</u>	<u>\$ 7,685</u>	<u>\$ 2,541</u>
Segment operating margin.....	\$ 80,225	\$ 103,867	\$ 324,344	\$ 373,434
Add: Allocated corporate depreciation costs.....	939	915	3,406	3,583
Total operating margin.....	81,164	104,782	327,750	377,017
Less: Depreciation and amortization.....	14,908	15,113	56,307	60,852
Affiliate general and administrative.....	15,087	19,306	61,131	67,112
Total operating profit.....	<u>\$ 51,169</u>	<u>\$ 70,363</u>	<u>\$ 210,312</u>	<u>\$ 249,053</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.
ALLOCATION OF NET INCOME
(In thousands, unless otherwise noted)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Twelve Months Ended</u> <u>December 31,</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Net income	\$ 37,634	\$ 56,452	\$ 159,483	\$ 192,728
Direct charges to the general partner:				
Reimbursable general and administrative costs.....	601	731	3,294	1,665
Other general and administrative costs ^(a)	—	3,000	—	3,000
Previously indemnified environmental charges.....	1,810	606	8,502	8,987
Total direct charges to general partner.....	<u>2,411</u>	<u>4,337</u>	<u>11,796</u>	<u>13,652</u>
Income before direct charges to general partner.....	40,045	60,789	171,279	206,380
General partner's share of income ^(b)	<u>24.02%</u>	<u>29.73%</u>	<u>20.84%</u>	<u>27.86%</u>
General partner's allocated share of net income before direct charges	9,623	18,071	35,700	57,499
Direct charges to general partner	2,411	4,337	11,796	13,652
Net income allocated to general partner	<u>\$ 7,212</u>	<u>\$ 13,734</u>	<u>\$ 23,904</u>	<u>\$ 43,847</u>
Net income	\$ 37,634	\$ 56,452	\$ 159,483	\$ 192,728
Less: net income allocated to general partner.....	<u>7,212</u>	<u>13,734</u>	<u>23,904</u>	<u>43,847</u>
Net income allocated to limited partners	<u>\$ 30,422</u>	<u>\$ 42,718</u>	<u>\$ 135,579</u>	<u>\$ 148,881</u>

- (a) A former executive officer had an investment in MGG Midstream Holdings, L.P., which is an affiliate of the partnership and the partnership's general partner. This former executive officer resigned during the fourth quarter of 2006 and, at that time, the partnership recognized \$3.0 million of compensation expense associated with certain distribution payments made by MGG Midstream Holdings, L.P. to this individual over the past three years. Because the limited partners did not share in the costs, they have been allocated to the general partner.
- (b) A distribution of \$0.6025 per unit was declared for the three months ended December 31, 2006, which will result in a total quarterly cash distribution payment of \$56.3 million. The partnership's general partner is entitled to 28.8% of this cash distribution. Except for those periods when net income exceeds distributions, net income is allocated between the general partner and limited partners based on the contractually-determined proportion of cash distributions received. Because fourth-quarter 2006 net income of \$59.5 million exceeded the corresponding quarterly cash distribution, under the "two class" method of computing earnings per share, as prescribed by Statement of Financial Accounting Standards No. 128, "Earnings Per Share", earnings are allocated to participating securities as if all of the earnings for the period had been distributed. A theoretical cash distribution of \$0.642 per unit would result in total distributions, less direct charges to the general partner, equal to net income for the three months ended December 31, 2006. At this distribution level, the general partner's share of distributions would be 29.73%.

For purposes of calculating earnings per limited partner unit, the general partner's share of distributions for the year ended December 31, 2006 is equal to its share of actual first and third quarter 2006 distributions plus its share of theoretical distributions for second and fourth quarter 2006.

MAGELLAN MIDSTREAM PARTNERS, L.P.
DISTRIBUTABLE CASH FLOW
(Unaudited, in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2006	2005	2006
Net income	\$ 37.7	\$ 56.4	\$ 159.5	\$ 192.7
Add: Depreciation and amortization ⁽¹⁾	15.6	15.7	59.2	63.5
Equity-based incentive compensation ⁽²⁾	2.4	2.6	9.5	10.8
Direct charges to general partner	2.4	4.4	11.8	13.7
Asset retirements	(0.4)	1.9	7.7	7.9
Less: Maintenance capital (net of indemnified spending).....	12.0	8.7	26.1	26.2
Other	1.5	1.0	5.6	4.7
Distributable cash flow ⁽³⁾	<u>\$ 44.2</u>	<u>\$ 71.3</u>	<u>\$ 216.0</u>	<u>\$ 257.7</u>

⁽¹⁾ Depreciation and amortization includes debt placement fee amortization.

⁽²⁾ The partnership issued 0.2 million new limited partner units in January 2007 to settle its obligations for the equity-based incentive compensation awards that vested on December 31, 2006, net of minimum tax withholdings for each participant. The partnership has paid the tax withholding amounts with cash and will replenish these funds with proceeds from a future public equity offering.

⁽³⁾ Distributable cash flow does not include fluctuations related to working capital or spending for which the partnership has received, or expects to receive, reimbursement through third party indemnifications. Related to its \$117.5 million indemnification settlement, the partnership has received \$82.5 million through December 31, 2006 with the remaining \$35.0 million expected on July 1, 2007. Through December 31, 2006, the partnership has either paid or accrued liabilities totaling \$77.4 million that are covered by this indemnification settlement.