

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

	Three Months Ended	
	March 31,	
	2003	2004
Transportation and terminals revenues:		
Third party	\$ 79,619	\$ 88,930
Affiliate	8,251	-
Product sales revenues:		
Third party	31,948	44,214
Affiliate	53	-
Total revenues	<u>119,871</u>	<u>133,144</u>
Costs and expenses:		
Operating	33,515	37,000
Environmental	1,797	23,805
Environmental reimbursements	(1,186)	(23,015)
Product purchases	27,818	38,499
Depreciation and amortization	9,379	9,522
Affiliate general and administrative	10,438	12,887
Total costs and expenses	<u>81,761</u>	<u>98,698</u>
Equity earnings	-	120
Operating profit	38,110	34,566
Interest expense	9,031	8,515
Interest income	(526)	(446)
Debt placement fee amortization	547	682
Net income	<u>\$ 29,058</u>	<u>\$ 25,815</u>
Allocation of net income:		
Limited partners' interest	\$ 27,008	\$ 23,874
General partner's interest	2,050	1,941
Net income	<u>\$ 29,058</u>	<u>\$ 25,815</u>
Basic net income per limited partner unit	<u>\$ 0.99</u>	<u>\$ 0.87</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>27,190</u>	<u>27,390</u>
Diluted net income per limited partner unit	<u>\$ 0.99</u>	<u>\$ 0.87</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>27,318</u>	<u>27,436</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended	
	March 31,	
	2003	2004
Petroleum products pipeline system:		
Transportation revenue per barrel shipped (cents per barrel)	98.3	97.2
Transportation barrels shipped (million barrels)	52.7	52.8
Barrel miles (billions)	15.8	14.9
Petroleum products terminals:		
Marine terminal average storage capacity utilized per month (million barrels)	15.8	15.5
Marine terminal throughput (million barrels)	5.3	5.5
Inland terminal throughput (million barrels)	12.6	20.5
Ammonia pipeline system:		
Volume shipped (thousand tons)	47	219

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

	Three Months Ended	
	March 31,	
	2003	2004
Petroleum products pipeline system:		
Transportation and terminals revenues ⁽¹⁾	\$ 64,883	\$ 64,636
Less: Operating expenses ⁽²⁾	(24,698)	(28,456)
Environmental expenses	(1,797)	(23,488)
Add: Environmental expense reimbursement	1,099	22,704
Transportation and terminals margin	<u>39,487</u>	<u>35,396</u>
Product sales revenues	29,141	42,185
Less: Product purchases	<u>(27,426)</u>	<u>(37,375)</u>
Product margin	1,715	4,810
Operating margin	<u>\$ 41,202</u>	<u>\$ 40,206</u>
Petroleum products terminals:		
Transportation and terminals revenues ⁽¹⁾	\$ 21,376	\$ 20,835
Less: Operating expenses ⁽²⁾	(7,677)	(8,359)
Environmental expenses	-	(150)
Add: Environmental expenses reimbursement	-	150
Transportation and terminals margin	<u>13,699</u>	<u>12,476</u>
Product sales revenues	2,860	2,029
Less: Product purchases	<u>(392)</u>	<u>(1,124)</u>
Product margin	2,468	905
Operating margin	<u>\$ 16,167</u>	<u>\$ 13,381</u>
Ammonia pipeline system:		
Total revenues ⁽¹⁾	\$ 1,611	\$ 3,600
Less: Operating expenses ⁽²⁾	(1,140)	(981)
Environmental expenses	-	(167)
Add: Environmental expenses reimbursement	87	161
Operating margin	<u>\$ 558</u>	<u>\$ 2,613</u>
Segment operating margin	\$ 57,927	\$ 56,200
Add: Allocated corporate depreciation costs	<u>-</u>	<u>655</u>
Total operating margin	57,927	56,855
Less: Depreciation and amortization	(9,379)	(9,522)
Affiliate general and administrative	(10,438)	(12,887)
Add: Equity earnings	<u>-</u>	<u>120</u>
Total operating profit	<u>\$ 38,110</u>	<u>\$ 34,566</u>

⁽¹⁾ Consolidated transportation and terminals revenues for the three months ended March 31, 2004 were \$88,930 and consist of segment revenues of \$89,071 less intercompany eliminations of \$141.

⁽²⁾ Consolidated operating expenses for the three months ended March 31, 2004 were \$37,000 and consist of segment operating expenses of \$37,796 less intercompany operating expense eliminations of \$141 and depreciation allocations of \$655.

MAGELLAN MIDSTREAM PARTNERS, L.P.
RECONCILIATION OF EARNINGS
EXCLUDING TRANSITION COSTS AND REIMBURSABLE G&A
(In millions, except per unit amounts)
(Unaudited)

	Three Months Ended <u>March 31, 2004</u>
Operating Profit:	
Operating Profit, as reported	\$ 34.6
G&A Transition Costs - separation from Williams	0.6
Reimbursable G&A	1.1
Total transition costs and reimbursable G&A	<u>1.7</u>
Operating profit excluding transition costs and reimbursable G&A	<u>\$ 36.3</u>
Net Income:	
Net income, as reported	\$ 25.8
Items impacting net income but not earnings per unit:	
G&A Transition Costs - separation from Williams	0.6
Reimbursable G&A	1.1
Total transition costs and reimbursable G&A	<u>1.7</u>
Net income excluding transition costs and reimbursable G&A	<u>\$ 27.5</u>