

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2005	2004	2005
Transportation and terminals revenues.....	\$ 103,536	\$ 122,889	\$ 192,466	\$232,965
Product sales revenues.....	38,521	132,530	82,735	280,620
Affiliate management fee revenue.....	163	167	163	334
Total revenues.....	<u>142,220</u>	<u>255,586</u>	<u>275,364</u>	<u>513,919</u>
Costs and expenses:				
Operating.....	42,911	51,800	79,911	96,055
Environmental.....	18,123	1,772	42,328	2,972
Environmental reimbursements.....	(17,909)	—	(41,324)	—
Product purchases.....	32,382	122,348	70,881	253,659
Depreciation and amortization.....	9,822	13,931	19,344	26,901
Affiliate general and administrative.....	13,507	15,134	26,394	30,260
Total costs and expenses.....	<u>98,836</u>	<u>204,985</u>	<u>197,534</u>	<u>409,847</u>
Equity earnings.....	148	804	268	1,322
Operating profit.....	43,532	51,405	78,098	105,394
Interest expense.....	8,704	12,864	17,219	25,282
Interest income.....	(1,000)	(1,157)	(1,446)	(2,142)
Debt prepayment premium.....	12,666	—	12,666	—
Write-off of unamortized debt placement costs.....	5,002	—	5,002	—
Debt placement fee amortization.....	656	731	1,338	1,463
Other income.....	(953)	(1)	(953)	(300)
Net income.....	<u>\$ 18,457</u>	<u>\$ 38,968</u>	<u>\$ 44,272</u>	<u>\$ 81,091</u>
Allocation of net income:				
Limited partners' interest.....	\$ 17,465	\$ 32,037	\$ 41,339	\$ 68,014
General partner's interest.....	992	6,931	2,933	13,077
Net income.....	<u>\$ 18,457</u>	<u>\$ 38,968</u>	<u>\$ 44,272</u>	<u>\$ 81,091</u>
Basic net income per limited partner unit.....	<u>\$ 0.31</u>	<u>\$ 0.48</u>	<u>\$ 0.75</u>	<u>\$ 1.02</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	<u>55,594</u>	<u>66,361</u>	<u>55,190</u>	<u>66,361</u>
Diluted net income per limited partner unit.....	<u>\$ 0.31</u>	<u>\$ 0.48</u>	<u>\$ 0.75</u>	<u>\$ 1.02</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	<u>55,720</u>	<u>66,604</u>	<u>55,298</u>	<u>66,536</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2005	2004	2005
Petroleum products pipeline system:				
Transportation revenue per barrel shipped (dollars per barrel)	\$1.002	\$1.015	\$0.991	\$1.010
Transportation barrels shipped (million barrels)	63.2	75.0	115.4	139.1
Petroleum products terminals:				
Marine terminal average storage capacity utilized per month (million barrels)	15.6	16.7	15.6	16.6
Marine terminal throughput (million barrels)	5.7	13.5	11.2	25.9
Inland terminal throughput (million barrels)	26.1	28.9	46.6	55.0
Ammonia pipeline system:				
Volume shipped (thousand tons)	162	186	381	338

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2005	2004	2005
Petroleum products pipeline system:				
Transportation and terminals revenues	\$ 77,726	\$ 94,784	\$142,362	\$177,439
Less: Operating expenses	(33,557)	(41,745)	(62,013)	(76,874)
Environmental expenses	(14,549)	(1,688)	(38,437)	(2,530)
Add: Environmental expense reimbursement	<u>14,469</u>	<u>—</u>	<u>37,573</u>	<u>—</u>
Transportation and terminals margin	44,089	51,351	79,485	98,035
Product sales revenues	36,068	129,199	78,253	274,619
Less: Product purchases	<u>(31,083)</u>	<u>(121,522)</u>	<u>(68,458)</u>	<u>(251,647)</u>
Product margin	4,985	7,677	9,795	22,972
Add: Affiliate management fee revenue	163	167	163	334
Equity earnings	<u>148</u>	<u>804</u>	<u>268</u>	<u>1,322</u>
Operating margin	<u>\$ 49,385</u>	<u>\$ 59,999</u>	<u>\$ 89,711</u>	<u>\$122,663</u>
Petroleum products terminals:				
Transportation and terminals revenues	\$ 22,978	\$ 25,506	\$ 43,813	\$ 51,016
Less: Operating expenses	(8,996)	(9,639)	(17,355)	(18,821)
Environmental expenses	(2,689)	(52)	(2,839)	(90)
Add: Environmental expense reimbursement	<u>2,689</u>	<u>—</u>	<u>2,839</u>	<u>—</u>
Transportation and terminals margin	13,982	15,815	26,458	32,105
Product sales revenues	2,453	3,741	4,482	6,411
Less: Product purchases	<u>(1,299)</u>	<u>(1,364)</u>	<u>(2,423)</u>	<u>(2,675)</u>
Product margin	1,154	2,377	2,059	3,736
Operating margin	<u>\$ 15,136</u>	<u>\$ 18,192</u>	<u>\$ 28,517</u>	<u>\$ 35,841</u>
Ammonia pipeline system:				
Total revenues	\$ 2,985	\$ 3,506	\$ 6,585	\$ 6,207
Less: Operating expenses	(1,304)	(2,012)	(2,285)	(3,414)
Environmental expenses	(885)	(32)	(1,052)	(352)
Add: Environmental expense reimbursement	<u>751</u>	<u>—</u>	<u>912</u>	<u>—</u>
Operating margin	<u>\$ 1,547</u>	<u>\$ 1,462</u>	<u>\$ 4,160</u>	<u>\$ 2,441</u>
Segment operating margin	\$ 66,068	\$ 79,653	\$122,388	\$160,945
Add: Allocated corporate depreciation costs	<u>793</u>	<u>817</u>	<u>1,448</u>	<u>1,610</u>
Total operating margin	66,861	80,470	123,836	162,555
Less: Depreciation and amortization	(9,822)	(13,931)	(19,344)	(26,901)
Affiliate general and administrative	<u>(13,507)</u>	<u>(15,134)</u>	<u>(26,394)</u>	<u>(30,260)</u>
Total operating profit	<u>\$ 43,532</u>	<u>\$ 51,405</u>	<u>\$ 78,098</u>	<u>\$105,394</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)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2005	2004	2005
Net income.....	\$ 18,457	\$ 38,968	\$ 44,272	\$ 81,091
Direct charges to the general partner:				
Transition charges.....	195	—	823	—
Reimbursable general and administrative costs.....	2,425	601	3,562	1,644
Previously indemnified environmental charges	—	163	—	624
Depreciation charges associated with previously indemnified capital costs.....	—	8	—	13
Other.....	(562)	—	(562)	—
Total direct charges to general partner.....	<u>2,058</u>	<u>772</u>	<u>3,823</u>	<u>2,281</u>
Income before direct charges to the general partner.....	20,515	39,740	48,095	83,372
General partner's share of income.....	<u>14.87%</u>	<u>19.39%</u>	<u>14.05%</u>	<u>18.42%</u>
General partner's allocated share of net income before direct charges.....	3,050	7,703	6,756	15,358
Direct charges to general partner.....	<u>2,058</u>	<u>772</u>	<u>3,823</u>	<u>2,281</u>
Net income allocated to general partner.....	<u>\$ 992</u>	<u>\$ 6,931</u>	<u>\$ 2,933</u>	<u>\$ 13,077</u>
Net income.....	\$ 18,457	\$ 38,968	\$ 44,272	\$ 81,091
Less: net income allocated to general partner.....	<u>992</u>	<u>6,931</u>	<u>2,933</u>	<u>13,077</u>
Net income allocated to limited partners.....	<u>\$ 17,465</u>	<u>\$ 32,037</u>	<u>\$ 41,339</u>	<u>\$ 68,014</u>