

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2007	2006	2007
Transportation and terminals revenues .....	\$ 144,853	\$ 160,132	\$ 558,301	\$ 607,845
Product sales revenues.....	171,105	215,712	664,569	709,564
Affiliate management fee revenue.....	172	178	690	712
Total revenues.....	316,130	376,022	1,223,560	1,318,121
Costs and expenses:				
Operating .....	65,045	66,157	244,526	251,601
Product purchases .....	147,148	189,415	605,341	633,909
Depreciation and amortization.....	15,113	16,743	60,852	63,792
Affiliate general and administrative.....	19,306	19,942	67,112	72,587
Total costs and expenses.....	246,612	292,257	977,831	1,021,889
Equity earnings.....	845	1,067	3,324	4,027
Operating profit .....	70,363	84,832	249,053	300,259
Interest expense .....	14,362	13,627	57,478	57,264
Interest income .....	(368)	(318)	(2,097)	(1,767)
Interest capitalized.....	(1,025)	(1,259)	(2,371)	(4,452)
Debt placement fee amortization .....	647	171	2,681	2,144
Debt prepayment premium .....	—	—	—	1,984
Other expense .....	295	—	634	728
Income before provision for income taxes.....	56,452	72,611	192,728	244,358
Provision for income taxes .....	—	419	—	1,568
Net income .....	<u>\$ 56,452</u>	<u>\$ 72,192</u>	<u>\$ 192,728</u>	<u>\$ 242,790</u>
Allocation of net income:				
Limited partners' interest .....	\$ 42,718	\$ 49,640	\$ 148,881	\$ 173,330
General partner's interest .....	13,734	22,552	43,847	69,460
Net income.....	<u>\$ 56,452</u>	<u>\$ 72,192</u>	<u>\$ 192,728</u>	<u>\$ 242,790</u>
Basic net income per limited partner unit.....	<u>\$ 0.64</u>	<u>\$ 0.75</u>	<u>\$ 2.24</u>	<u>\$ 2.60</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation.....	<u>66,361</u>	<u>66,550</u>	<u>66,361</u>	<u>66,547</u>
Diluted net income per limited partner unit.....	<u>\$ 0.64</u>	<u>\$ 0.74</u>	<u>\$ 2.24</u>	<u>\$ 2.60</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation.....	<u>66,838</u>	<u>67,150</u>	<u>66,613</u>	<u>66,700</u>

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

	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Petroleum products pipeline system:</b>				
Transportation revenue per barrel shipped .....	\$1.082	\$ 1.129	\$ 1.060	\$ 1.147
Volume shipped (million barrels).....	77.5	80.4	309.6	307.2
<b>Petroleum products terminals:</b>				
Marine terminal average storage utilized (million barrels per month) .....	21.5	22.3	20.9	21.8
Inland terminal throughput (million barrels).....	29.0	28.9	110.1	117.3
<b>Ammonia pipeline system:</b>				
Volume shipped (thousand tons).....	189	183	726	716

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2007	2006	2007
<b>Petroleum products pipeline system:</b>				
Transportation and terminals revenues.....	\$ 107,422	\$ 119,214	\$ 419,263	\$ 459,772
Less: Operating expenses.....	49,488	47,738	189,684	179,426
Transportation and terminals margin.....	57,934	71,476	229,579	280,346
Product sales revenues.....	166,196	211,626	649,172	692,355
Less: Product purchases.....	144,762	187,646	598,575	626,194
Product margin.....	21,434	23,980	50,597	66,161
Add: Affiliate management fee revenue.....	172	178	690	712
Equity earnings.....	845	1,067	3,324	4,027
Operating margin.....	<u>\$ 80,385</u>	<u>\$ 96,701</u>	<u>\$ 284,190</u>	<u>\$ 351,246</u>
<b>Petroleum products terminals:</b>				
Transportation and terminals revenues.....	\$ 33,448	\$ 36,144	\$ 125,962	\$ 132,693
Less: Operating expenses.....	12,632	15,674	47,376	56,301
Transportation and terminals margin.....	20,816	20,470	78,586	76,392
Product sales revenues.....	4,909	4,086	15,397	17,209
Less: Product purchases.....	2,514	1,898	7,280	8,233
Product margin.....	2,395	2,188	8,117	8,976
Operating margin.....	<u>\$ 23,211</u>	<u>\$ 22,658</u>	<u>\$ 86,703</u>	<u>\$ 85,368</u>
<b>Ammonia pipeline system:</b>				
Transportation and terminals revenues.....	\$ 4,807	\$ 5,202	\$ 16,473	\$ 18,287
Less: Operating expenses.....	4,536	3,825	13,932	21,295
Operating margin (loss).....	<u>\$ 271</u>	<u>\$ 1,377</u>	<u>\$ 2,541</u>	<u>\$ (3,008)</u>
Segment operating margin.....	\$ 103,867	\$ 120,736	\$ 373,434	\$ 433,606
Add: Allocated corporate depreciation costs.....	915	781	3,583	3,032
Total operating margin.....	104,782	121,517	377,017	436,638
Less: Depreciation and amortization.....	15,113	16,743	60,852	63,792
Affiliate general and administrative.....	19,306	19,942	67,112	72,587
Total operating profit.....	<u>\$ 70,363</u>	<u>\$ 84,832</u>	<u>\$ 249,053</u>	<u>\$ 300,259</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)

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Net income .....	\$ 56,452	\$ 72,192	\$ 192,728	\$ 242,790
Direct charges to the general partner:				
Reimbursable general and administrative costs <sup>(a)</sup> .....	3,731	2,442	4,665	6,191
Previously indemnified environmental charges.....	606	669	8,987	4,426
Total direct charges to general partner.....	<u>4,337</u>	<u>3,111</u>	<u>13,652</u>	<u>10,617</u>
Income before direct charges to general partner .....	60,789	75,303	206,380	253,407
General partner's share of income <sup>(b)</sup> .....	29.73%	34.08%	27.86%	31.60%
General partner's allocated share of net income before direct charges .....	18,071	25,663	57,499	80,077
Direct charges to general partner .....	4,337	3,111	13,652	10,617
Net income allocated to general partner .....	<u>\$ 13,734</u>	<u>\$ 22,552</u>	<u>\$ 43,847</u>	<u>\$ 69,460</u>
Net income .....	\$ 56,452	\$ 72,192	\$ 192,728	\$ 242,790
Less: net income allocated to general partner .....	13,734	22,552	43,847	69,460
Net income allocated to limited partners .....	<u>\$ 42,718</u>	<u>\$ 49,640</u>	<u>\$ 148,881</u>	<u>\$ 173,330</u>

(a) Reimbursable general and administrative costs include non-cash expenses related to payments made by MGG Midstream Holdings, L.P., an affiliate indirectly owning a portion of the partnership's general partner, of \$0.8 million and \$2.1 million for the three and twelve months ended December 31, 2007, respectively, and \$3.0 million for the three and twelve months ended December 31, 2006. These items did not impact cash available for the partnership to pay cash distributions.

(b) For periods when the distributions the partnership pays exceed its net income, the general partner's percentage share of income is its proportion of cash distributions paid for the period. For periods when net income exceeds the cash distributions the partnership pays, the general partner's percentage share of income is its proportion of theoretical cash distributions that equal net income (before direct charges to general partner). The partnership's net income for the three months ended December 31, 2006 and 2007 exceeded the distributions the partnership paid or will pay for those periods; therefore, the general partner's share of income was allocated based on a theoretical cash distribution of \$0.6469 and \$0.7437 per limited partner unit, respectively. The general partner's share of distributions for the twelve months ended December 31, 2006 was equal to its share of actual first and third quarter 2006 distributions plus its share of theoretical distributions for the second and fourth quarters of 2006. During 2007, the general partner's share of distributions for the twelve months ended December 31, 2007 was equal to its share of actual distributions paid for the first quarter and pro forma distributions for the second, third and fourth quarters assuming that all of the earnings for those periods had been distributed.

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

	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
Net income .....	\$ 56.4	\$ 72.2	\$ 192.7	\$ 242.8
Add: Depreciation and amortization <sup>(a)</sup> .....	15.7	16.9	63.5	65.9
Equity-based incentive compensation <sup>(b)</sup> .....	2.6	3.4	10.8	6.2
Direct charges to general partner .....	4.4	3.1	13.7	10.6
Asset retirements and impairments .....	1.9	2.5	7.9	8.3
Less: Maintenance capital (net of indemnified spending).....	8.7	10.3	26.2	31.2
Other .....	1.0	1.5	4.7	4.5
Distributable cash flow <sup>(c)</sup> .....	<u>\$ 71.3</u>	<u>\$ 86.3</u>	<u>\$ 257.7</u>	<u>\$ 298.1</u>

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

<sup>(b)</sup> During first quarter 2007, the partnership paid tax withholdings of \$4.3 million on equity-based incentive compensation units that vested on December 31, 2006. At the time the tax withholdings were paid, management assumed the partnership would reimburse itself for these costs from its next equity offering; however, management has subsequently determined that it would be in the partnership's best interest to finance these tax withholding amounts through other methods. Therefore, the equity-based incentive compensation expense adjustment and distributable cash flow for the twelve months ended December 31, 2007 have been reduced by \$4.3 million.

<sup>(c)</sup> 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 indemnification settlement, the partnership has collected the entire amount due of \$117.5 million. Through December 31, 2007, the partnership has either paid or accrued liabilities totaling \$88.4 million that are covered by this indemnification settlement.