

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,	
	2007	2008	2007	2008
Transportation and terminals revenues	\$ 150,070	\$ 162,367	\$ 293,221	\$ 306,959
Product sales revenues	177,902	110,364	326,565	312,082
Affiliate management fee revenue	183	183	356	366
Total revenues	328,155	272,914	620,142	619,407
Costs and expenses:				
Operating	60,027	56,965	121,002	112,557
Product purchases	156,588	75,292	290,568	252,860
Depreciation and amortization	15,695	17,434	31,135	34,610
Affiliate general and administrative	17,741	18,454	35,426	36,234
Total costs and expenses	250,051	168,145	478,131	436,261
Gain on assignment of supply agreement	—	—	—	26,492
Equity earnings	1,106	1,377	1,869	1,782
Operating profit	79,210	106,146	143,880	211,420
Interest expense	15,072	12,751	29,939	25,687
Interest income	(746)	(291)	(1,117)	(584)
Interest capitalized	(1,205)	(1,110)	(2,102)	(2,412)
Debt placement fee amortization	1,154	169	1,799	337
Debt prepayment premium	1,984	—	1,984	—
Other (income) expense	699	(249)	699	(249)
Income before provision for income taxes	62,252	94,876	112,678	188,641
Provision for income taxes	800	502	1,524	945
Net income	<u>\$ 61,452</u>	<u>\$ 94,374</u>	<u>\$ 111,154</u>	<u>\$ 187,696</u>
Allocation of net income:				
Limited partners' interest	\$ 43,790	\$ 53,736	\$ 80,641	\$ 113,356
General partner's interest	17,662	40,638	30,513	74,340
Net income	<u>\$ 61,452</u>	<u>\$ 94,374</u>	<u>\$ 111,154</u>	<u>\$ 187,696</u>
Basic net income per limited partner unit	<u>\$ 0.66</u>	<u>\$ 0.80</u>	<u>\$ 1.21</u>	<u>\$ 1.70</u>
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	<u>66,549</u>	<u>66,851</u>	<u>66,543</u>	<u>66,812</u>
Diluted net income per limited partner unit	<u>\$ 0.66</u>	<u>\$ 0.80</u>	<u>\$ 1.21</u>	<u>\$ 1.70</u>
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	<u>66,549</u>	<u>66,851</u>	<u>66,547</u>	<u>66,812</u>

MAGELLAN MIDSTREAM PARTNERS, L.P.
OPERATING STATISTICS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Petroleum products pipeline system:				
Transportation revenue per barrel shipped	\$ 1.146	\$ 1.169	\$ 1.149	\$ 1.161
Volume shipped (million barrels).....	76.9	77.3	148.2	146.2
Petroleum products terminals:				
Marine terminal average storage utilized (million barrels per month).....	21.3	22.8	21.5	22.8
Inland terminal throughput (million barrels).....	29.3	28.3	57.5	55.4
Ammonia pipeline system:				
Volume shipped (thousand tons).....	186	227	400	447

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Petroleum products pipeline system:				
Transportation and terminals revenues.....	\$ 114,385	\$ 121,169	\$ 221,696	\$ 227,492
Less: Operating expenses.....	42,314	39,977	85,256	82,237
Transportation and terminals margin.....	72,071	81,192	136,440	145,255
Product sales revenues.....	174,471	102,585	318,736	295,482
Less: Product purchases.....	154,933	73,577	286,359	248,198
Product margin.....	19,538	29,008	32,377	47,284
Add: Affiliate management fee revenue.....	183	183	356	366
Equity earnings.....	1,106	1,377	1,869	1,782
Gain on assignment of supply agreement.....	—	—	—	26,492
Operating margin.....	<u>\$ 92,898</u>	<u>\$ 111,760</u>	<u>\$ 171,042</u>	<u>\$ 221,179</u>
Petroleum products terminals:				
Transportation and terminals revenues.....	\$ 32,014	\$ 35,970	\$ 63,763	\$ 69,571
Less: Operating expenses.....	13,145	15,685	27,106	28,214
Transportation and terminals margin.....	18,869	20,285	36,657	41,357
Product sales revenues.....	3,431	7,779	7,829	16,600
Less: Product purchases.....	1,786	1,845	4,468	4,922
Product margin.....	1,645	5,934	3,361	11,678
Operating margin.....	<u>\$ 20,514</u>	<u>\$ 26,219</u>	<u>\$ 40,018</u>	<u>\$ 53,035</u>
Ammonia pipeline system:				
Transportation and terminals revenues.....	\$ 4,498	\$ 5,986	\$ 9,413	\$ 11,406
Less: Operating expenses.....	5,981	2,812	11,520	5,066
Operating margin (loss).....	<u>\$ (1,483)</u>	<u>\$ 3,174</u>	<u>\$ (2,107)</u>	<u>\$ 6,340</u>
Segment operating margin.....	\$ 111,929	\$ 141,153	\$ 208,953	\$ 280,554
Add: Allocated corporate depreciation costs.....	717	881	1,488	1,710
Total operating margin.....	112,646	142,034	210,441	282,264
Less: Depreciation and amortization.....	15,695	17,434	31,135	34,610
Affiliate general and administrative.....	17,741	18,454	35,426	36,234
Total operating profit.....	<u>\$ 79,210</u>	<u>\$ 106,146</u>	<u>\$ 143,880</u>	<u>\$ 211,420</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 June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Net income	\$ 61,452	\$ 94,374	\$ 111,154	\$ 187,696
Direct charges to the general partner:				
Reimbursable general and administrative costs ^(a)	1,604	408	1,880	816
Previously indemnified environmental charges.....	622	(11,291)	2,872	(9,762)
Total direct charges (credits) to general partner.....	<u>2,226</u>	<u>(10,883)</u>	<u>4,752</u>	<u>(8,946)</u>
Income before direct charges (credits) to general partner.....	63,678	83,491	115,906	178,750
General partner's share of income ^(b)	31.23%	35.64%	30.43%	36.58%
General partner's allocated share of net income before direct charges (credits)	19,888	29,755	35,265	65,394
Direct charges (credits) to general partner.....	2,226	(10,883)	4,752	(8,946)
Net income allocated to general partner	<u>\$ 17,662</u>	<u>\$ 40,638</u>	<u>\$ 30,513</u>	<u>\$ 74,340</u>
Net income	\$ 61,452	\$ 94,374	\$ 111,154	\$ 187,696
Less: net income allocated to general partner.....	17,662	40,638	30,513	74,340
Net income allocated to limited partners	<u>\$ 43,790</u>	<u>\$ 53,736</u>	<u>\$ 80,641</u>	<u>\$ 113,356</u>

- (a) Reimbursable G&A costs for the three and six months ended June 30, 2007 include a \$1.3 million unusual non-cash expense related to a payment by MGG Midstream Holdings, L.P., an affiliate indirectly owning a portion of the partnership's general partner. This item did not impact cash available for 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 the general partner). For the second quarter of 2007 and 2008, a per unit theoretical cash distribution of \$0.658 and \$0.805, respectively, would have resulted in total distributions equal to net income before direct charges to the general partner for each period. The general partner's share of net income for the six months ended June 30, 2007 is based on its share of actual distributions paid for the first quarter and theoretical distributions for the second quarter. The general partner's share of net income for the six months ended June 30, 2008 is based on its share of theoretical distributions for the first and second quarters of the year.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Net income	\$ 61.5	\$ 94.4	\$ 111.2	\$ 187.7
Add: Depreciation and amortization ⁽¹⁾	16.8	17.6	32.9	34.9
Equity-based incentive compensation ⁽²⁾	2.2	1.4	1.6	(1.0)
Direct charges (credits) to general partner	2.2	(10.9)	4.7	(9.0)
Asset retirements and impairments	3.5	1.6	4.4	1.7
Less: Maintenance capital (net of expected reimbursements and indemnified spending) ⁽³⁾	8.6	7.4	13.9	14.8
Gain on assignment of supply agreement	—	—	—	26.5
Other	0.4	0.5	1.9	0.5
Distributable cash flow ⁽⁴⁾	<u>\$ 77.2</u>	<u>\$ 96.2</u>	<u>\$ 139.0</u>	<u>\$ 172.5</u>

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

⁽²⁾ Because the partnership intends to satisfy vesting of units under its equity-based incentive compensation program with the issuance of limited partner units, expenses related to this program generally are deemed non-cash and added back for distributable cash flow purposes. Total equity-based incentive compensation expense for the six months ended June 30, 2007 and 2008 was \$5.9 million and \$3.5 million, respectively. However, the figures above include an adjustment for tax withholdings paid by the partnership during first quarter 2007 and 2008 of \$4.3 million and \$4.5 million, respectively, for equity-based incentive compensation units that vested on the previous year end.

⁽³⁾ The partnership paid the following additional amounts for indemnified maintenance capital projects related to its indemnification settlement or for which it expects third-party reimbursement: for the three months ended June 30, 2007 and 2008, \$1.1 million and \$3.2 million, respectively; and for the six months ended June 30, 2007 and 2008, \$2.1 million and \$3.5 million, respectively.

⁽⁴⁾ 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. Through June 30, 2007 and 2008, the partnership has either paid or accrued liabilities totaling \$82.5 million and \$80.2 million, respectively, which were covered by an indemnification settlement for which the partnership has received the full amount of \$117.5 million.